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中投國際

中國投資基金國際控股有限公司

CHINA INVESTMENT FUND INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 00612



Annual Report 2017



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Luk Hong Man, Hammond (*Chief Executive Officer & Financial Controller*)

Mr. Zhang Xi (*Chief Investment Officer*)

Non-executive Directors

Mr. Sui Guangyi (*Chairman*)

Mr. Wang Mengtao (*Vice-president of the Group*)

Mr. Leung Ka Fai

Ms. Ma Xiaoqiu

Independent Non-executive Directors

Ms. Jing Siyuan

Mr. Zhang Aimin

Mr. Zhang Qiang

COMPANY SECRETARY

Ms. Hong Lai Ping

AUDIT COMMITTEE

Ms. Jing Siyuan (*Chairman*)

Mr. Zhang Aimin

Mr. Zhang Qiang

REMUNERATION COMMITTEE

Mr. Zhang Aimin (*Chairman*)

Ms. Jing Siyuan

Mr. Zhang Xi

NOMINATION COMMITTEE

Ms. Jing Siyuan (*Chairman*)

Mr. Zhang Aimin

Mr. Luk Hong Man, Hammond

RISK MANAGEMENT COMMITTEE

Mr. Zhang Aimin (*Chairman*)

Ms. Jing Siyuan

Mr. Luk Hong Man, Hammond

Mr. Yang Ja Wah (non-Board member)

INVESTOR RELATIONS COMMITTEE

Mr. Zhang Qiang (*Chairman*)

Mr. Sui Guangyi

Mr. Wang Mengtao

Mr. Leung Ka Fai

CUSTODIAN

DBS Bank Ltd. Hong Kong Branch

18/F, The Center

99 Queen's Road Central

Hong Kong

PRINCIPAL BANKER

DBS Bank (Hong Kong) Limited

G/F, The Center

99 Queen's Road Central

Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Standard Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

AUDITOR

HLM CPA Limited

Certified Public Accountants

Room 305

Arion Commercial Centre

2-12 Queen's Road West

Hong Kong

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 6602-03, Level 66

International Commerce Centre

1 Austin Road West

Kowloon, Hong Kong

STOCK CODE

00612 (Listed on the Main Board of The Stock Exchange of Hong Kong Limited)

WEBSITE

www.cifund.com.hk

MANAGEMENT DISCUSSION AND ANALYSIS

I am pleased to present the annual report of China Investment Fund International Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2017.

BUSINESS REVIEW

The Group is principally engaged in investment in both listed and unlisted securities.

In 2017, US President Donald Trump made his impact on world economy by cancelling U.S. participation in the Trans-Pacific Partnership, withdrawing the United States from the Paris Climate Agreement, etc. His American First Champion is the driving force behind the global rise of protectionism. The geo-political conflict in the Middle East, Northeast Asia, and the India subcontinent are worsening. However, according to IMF, the global economy is expected to grow 3.6 percent in 2017, while China will beat its growth target of 6.5 percent. Under such highly volatile investment environment, the Directors have taken prudent strategy to manage our investment portfolio.

For the year ended 31 December 2017, the Group recorded a net loss of approximately HK\$155,077,000 (2016: approximately HK\$123,448,000), representing an increase in net loss of approximately HK\$31,629,000 or 26% as compared to last year. The loss was mainly due to the net unrealised loss on financial assets at fair value through profit or loss, net realised loss on settlement of futures contracts, net loss on disposals of subsidiaries, administrative expenses and finance costs during the year.

SECURITIES INVESTMENTS

The Board exercised caution while actively managing its investment portfolio in accordance with the Company’s investment objective and policy for the best interest for our shareholders. For the year ended 31 December 2017, the Group recorded a revenue of approximately HK\$13,000 (2016: approximately HK\$572,000), decreased by approximately HK\$559,000 or 98% over the previous year. The Group did not have a net realised gain or loss on disposal of available-for-sale financial assets (2016: net realised gain on disposals of available-for-sale financial assets of approximately HK\$38,436,000). The Group recorded a net realised gain on disposals of financial assets at fair value through profit or loss of approximately HK\$2,202,000 (2016: net realised loss on disposals of financial assets at fair value through profit or loss of approximately HK\$16,169,000). The Group made a net unrealised loss on financial assets at fair value through profit or loss of approximately HK\$41,183,000 (2016: approximately HK\$55,550,000). The Group made a net realised loss on settlement of futures contracts of approximately HK\$12,145,000 (2016: Nil).

Investment in listed shares

At 31 December 2017, the Group’s did not hold any listed securities under available-for-sale financial assets (2016: approximately HK\$3,917,000) and the Group held listed securities under financial assets at fair value through profit or loss of approximately HK\$34,309,000 (2016: approximately HK\$46,813,000).

Investment in unlisted shares

For the year ended 31 December 2017, the Group’s investment portfolio in unlisted securities consists of Mountain Gold Holdings Inc. (“Mountain Gold”) of approximately HK\$35,835,000 (2016: approximately HK\$39,286,000), Galaxy Automotive MS Inc. (“Galaxy AMS”) of approximately HK\$7,190,000 (2016: approximately HK\$15,210,000) and China Investment Holdings Limited of HK\$149,939 (2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

In October 2015, the Group acquired 6.4% equity interest in Mountain Gold, a company principally engaged in the mining industry with an underground high-grade gold mine and exploration property located in Guizhou, the People's Republic of China, with a mining license called Jinping County Jinchangxi-Bize Gold Mine with an area of 0.8934 km² and an exploration license called Jinping County Shierpan Gold Detailed Exploration Property with an area of 3.64 km². A total resource was estimated to be 21.6 tons of gold at a grade of 10.37g/t gold in compliance with the JORC Code. Mining, processing and administration facilities plant were constructed in place. The validity period of the mining license and the exploration license is from August 2015 to October 2021 and from 29 May 2016 to 28 May 2018 respectively.

In August 2015, the Group acquired 29% equity interest in Galaxy AMS, a company principally engaged in the research and development and manufacturing of high-quality auto parts as well as research and development and sales of automobile system solutions. Galaxy AMS's current sales market includes China, Taiwan, Hong Kong and Macau. The racing team which was sponsored by Galaxy AMS had been awarded with numerous trophies in a variety of regional events in the past few years. Recognition of its products and automobile system solutions is on the rise in the industry and the retail market.

Investment in listed futures contracts

For the year ended 31 December 2017, the Group recognised a net realised loss on settlement of gold futures contracts of approximately HK\$12,145,000 (2016: Nil). As at 31 December 2017, the Group did not have any investment in gold future contracts (2016: Nil).

Investment in unlisted option contracts

For the year ended 31 December 2017, the Group recognised an unrealised loss on revaluation of unlisted option contracts of approximately HK\$8,813,000 (2016: Nil). As at 31 December 2017, included in the Group's unlisted option contracts of approximately HK\$6,126,000 (2016: Nil).

INVESTMENT REVIEW

The Company mainly held eight investments as of 31 December 2017, comprising one equity security listed in Hong Kong, three equity securities listed in PRC, two private equity securities in the Republic of Vanuatu and two unlisted option contracts.

At 31 December 2017

Name of investee company	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost HK\$	Market value HK\$	Accumulated unrealised gain/(loss) recognised HK\$	Net assets attributable to the Company HK\$000	Dividend received/receivable during the year HK\$	% of gross assets of the Company
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Listed equity securities in Hong Kong

Zhidao International (Holdings) Limited	Cayman Islands	30,360,000	1.53%	38,248,211	14,724,600	(23,523,611)	6,827	-	5.21%
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Listed equity securities in The People's Republic of China ("PRC")

Irico Display Devices Co., Ltd.	PRC	270,000	0.04%	2,320,906	2,337,334	16,428	616	-	0.83%
Tianma Bearing Group Co., Ltd.	PRC	800,022	0.07%	10,309,315	7,945,751	(2,363,564)	3,702	-	2.81%
Youngy Co., Ltd	PRC	240,000	0.13%	12,639,198	9,301,607	(3,337,591)	1,130	-	3.29%

Private equity securities

Galaxy Automotive MS Inc.	Republic of Vanuatu		29%	27,975,000	7,190,000	(20,785,000)	1,428	-	2.55%
Mountain Gold Holdings Inc.	Republic of Vanuatu		6.4%	50,000,000	35,835,299	(14,164,701)	35,835	-	12.69%

Name of unlisted option contracts	Cost HK\$	Fair value HK\$	Accumulated unrealised loss recognised HK\$	% of gross assets of the Company
Unlisted option contract (399006.SZ)	11,581,386	4,748,815	(6,832,571)	1.68%
Unlisted option contract (159915.SZ)	3,357,432	1,376,777	(1,980,655)	0.49%

MANAGEMENT DISCUSSION AND ANALYSIS

At 31 December 2016

Name of investee company	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost HK\$	Market value HK\$	Accumulated unrealised gain/(loss) recognised HK\$	Net assets attributable to the Company HK\$000	Dividend received/receivable during the year HK\$	% of gross assets of the Company
Listed equity securities in Hong Kong									
Newtree Group Holdings Limited	Cayman Islands	5,168,000	0.22%	1,494,463	2,454,800	960,337	694	-	1.65%
Tech Pro Technology Development Limited	Cayman Islands	16,700,000	0.24%	28,337,612	3,072,800	(25,264,812)	1,907	-	2.06%
Zhidao International (Holdings) Limited	Cayman Islands	30,360,000	1.53%	38,248,211	18,519,600	(19,728,611)	7,031	-	12.43%
WLS Holdings Limited	Cayman Islands	98,980,000	0.78%	29,722,944	22,765,400	(6,957,544)	6,251	-	15.28%
Kingbo Strike Limited	Cayman Islands	11,190,000	1.47%	12,976,745	3,916,500	(9,060,245)	7,657	-	2.63%
Private equity securities									
Galaxy Automotive MS Inc.	Republic of Vanuatu		29%	27,975,000	15,210,000	(12,765,000)	1,793	-	10.21%
Mountain Gold Holdings Inc.	Republic of Vanuatu		6.4%	50,000,000	39,285,714	(10,714,286)	39,286	-	26.36%

Going forward

Given the fluctuation in the worldwide financial markets, the Board will continue to identify any investment opportunities and manage the investment portfolio in accordance with the Company's investment objective and policy with a view of gaining good investment yields for our shareholders. The Board will monitor market development closely with a view of identifying attractive and long-term investment opportunities.

SUMMARY OF MATERIAL LEGAL PROCEEDINGS INVOLVING THE COMPANY

High Court Action 796 of 2016

A Writ of Summons with an Indorsement of Claim dated 29 March 2016 has been issued in the High Court of Hong Kong in High Court Action 796 of 2016 by Yang Yan ("Ms. Yang") as plaintiff against the Company and its subsidiary Grand Dragon Investment Development Limited ("Grand Dragon") as defendants whereby the plaintiff claims against the defendants for the forfeiture of a deposit for HK\$10,000,000 paid by Grand Dragon (the "Payment"). Service of the Writ of Summons and the Statement of Claim took place on respectively in May 2016 and August 2016. The Company and Grand Dragon maintains, inter alia, that Ms. Yang is not entitled to forfeit the Payment and will continue to strenuously contest the above legal proceedings and pursue its claim for the return of the Payment by way of counterclaim. If the matter cannot be settled, this dispute may ultimately lead to a trial of the action. The claim by the Company and Grand Dragon against Ms. Yang in High Court Action 2654 of 2016 was discontinued by consent and the claim has been consolidated with the above legal proceedings.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had cash and cash equivalents of approximately HK\$138,447,000 as at 31 December 2017 (2016: approximately HK\$17,170,000) represented approximately 49.0% (2016: approximately 11.5%) of the Group's total assets. As at 31 December 2017, the Group had long-term debts which are unsecured interest-bearing loan notes and unsecured interest-bearing bonds in an aggregate amount of approximately HK\$107,612,000 (2016: unsecured interest-bearing loan notes and advance from a shareholder in an aggregate amount of approximately HK\$68,512,000).

Apart from the long-term debts, the Group had the short-term debts consisting of unsecured interest-bearing bonds and unsecured loans at approximately HK\$122,790,000 (2016: unsecured interest-bearing bond of HK\$3,000,000).

The Group's gearing ratio, representing the total debts divided by equity attributable to owners of the Company, was approximately 505.8% as at 31 December 2017 (2016: approximately 95%).

There were no capital commitments as at 31 December 2017 (2016: approximately HK\$7,208,000).

The Group did not have any material contingent liabilities as at 31 December 2017 (2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE EXPOSURE

Most of the business transactions of the Group are denominated in Hong Kong dollars and Renminbi. The management of the Group will closely monitor the fluctuation in these currencies and take appropriate actions when needed. As at 31 December 2017, the Group did not engage in currency hedging nor did it adopt any formal hedging activities. In Year 2017, the Group had financial assets of HK\$26,393,492 (2016: HK\$78,881) which was denominated in Renminbi (“RMB”). The Group currently does not have any foreign currency hedging currency policy. However, the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

ESTABLISHMENT OF SUBSIDIARIES AND DISPOSAL OF SUBSIDIARIES

Total 16 subsidiaries were established, 8 subsidiaries were disposed and 1 subsidiary was deregistered during the year ended 31 December 2017.

CAPITAL STRUCTURE

The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). During the year, the movement in the Company’s share capital is as follow:

On 13 June 2017, upon the completion of the Open Offer, the Company issued 110,702,000 new ordinary shares of HK\$0.05 each at a subscription price of HK\$0.56 for a total consideration, before related expenses, of approximately HK\$62,000,000. Approximately 41% have been used towards investments in listed securities, and approximately 39% have been used as general working capital.

PROSPECTS

The new Federal Reserve Chairman Powell said the central bank remained on course for more interest rate hikes this year and had been aiming to boost inflation to 2 percent, which could increase market volatility in the coming months. However, China’s Belt and Road Initiative strategy could facilitate more global cooperation and, therefore, stimulate economic growth in the long run. Hence, the Directors will continue to take prudent strategy, such as investing in gold related products to hedge against market volatility as well as selected A-share stocks with strong growth prospect, to manage the Group’s portfolio.

COMPLIANCE WITH THE APPLICABLE LAW AND REGULATIONS

In relation to human resources, during 2017 the Company has in all material respects complied with the requirements of the ordinances relating to disability, sex, family status and race discrimination, as well as the Employment Ordinance, the Minimum Wage Ordinance and ordinances relating to occupational safety of employees of the Group.

On the corporate level, during 2017 the Group has in all material respects complied with the applicable requirements under the Companies Law (Revised) under the laws of the Cayman Islands, the Rules Governing the Listing of Securities on the Stock Exchange, the Companies Ordinance and the Securities and Futures Ordinance under the laws of Hong Kong.

EMPLOYEES

As at 31 December 2017, the Company had 30 employees (2016: 22), including executive Directors, non-executive Directors and independent non-executive Directors. The Group's remuneration policies are in line with the prevailing market practice and are determined on the basis of the performance and experience of individual employees. During the year, the Group has generally maintained good relationship with its employees.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

The Company has complied with the code provision of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the listing of securities on the Stock Exchange for the year ended 31 December 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of member of the Company will be closed from Wednesday, 25 April 2018 to Monday, 30 April 2018, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending the annual general meeting ("AGM") to be held on Monday, 30 April 2018, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 24 April 2018.

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Luk Hong Man, Hammond (“Mr. Luk”), aged 37, is currently the Chief Executive Officer and the Financial Controller of the Group. Mr. Luk is a member of the Chartered Professional Accountants of Canada. Mr. Luk is also a fellow member of the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Chartered Secretaries, the Hong Kong Institute of Directors and the Association of Chartered Certified Accountants respectively. Mr. Luk has a degree of bachelor of laws from the University of London and a degree of bachelor of commerce from the University of Alberta. Mr. Luk has over 15 years of experience in management accounting, financial control, internal audit and compliance with different companies in Canada and Hong Kong including the Group. Through joining the Group in July 2011 as an executive Director and financial controller and taking up additional duties as chief executive officer and a member of the risk management committee in April 2016, Mr. Luk has gained experience in investment management and corporate governance. Prior to joining the Group in July 2011, Mr. Luk had worked as an executive director and compliance officer in Media Asia Group Holdings Limited (stock code: 8075) and an executive officer in charge of the accounting and finance department in China Public Procurement Limited (stock code: 1094).

Mr. Zhang Xi (“Mr. Zhang”), aged 48, is currently the Chief Investment Officer of the Group. He has over 17 years of experience in the financial sector. He is currently a Chartered Financial Analyst (CFA) charterholder. Mr. Zhang graduated with a bachelor’s degree in science (electrical engineering) from Shanghai Jiao Tong University in July 1991. Mr. Zhang obtained an International Master’s degree of Business Administration from York University in Canada in 1998. Mr. Zhang has been an independent non-executive director of Media Asia Group Holdings Limited (stock code: 8075) since September 2009 and was an independent non-executive director of Asia Energy Logistics Group Limited (stock code: 351) from March 2006 to July 2016.

NON-EXECUTIVE DIRECTOR

Mr. Sui Guangyi (“Mr. Sui”), aged 55, is currently the Chairman of the Group. He is a legal representative and a director of Shenzhen Ding Yi Feng Assets Management Co., Ltd. (深圳市鼎益豐資產管理股份有限公司), the director of HK DYF Int’l Holding Group Limited, and a director of Singapore DYF Int’l Capital Management Pte. Ltd.

Ms. Ma Xiaoqiu (“Ms. Ma”), aged 57, has since January 2011 served as a president and a director of Shenzhen Ding Yi Feng Asset Management Co., Ltd. (深圳市鼎益豐資產管理股份有限公司).

Mr. Wang Mengtao (“Mr. Wang”), aged 43, is currently the Vice-president of the Group. He is currently an assistant director of the Center of Taoism Business School (禪道商學院) and a director of Shenzhen Zhi Chong Culture Broadcast Co., Ltd. (深圳知崇文化傳播有限公司), which is a wholly-owned subsidiary and a non-wholly-owned subsidiary of Shenzhen Ding Yi Feng Assets Management Co., Ltd. (深圳市鼎益豐資產管理股份有限公司), a substantial shareholder of the Company, respectively.

Mr. Leung Ka Fai (“Mr. Leung”), aged 39, has been an independent non-executive Director of Progressive Path Group Holdings Limited (stock code: 1581) since 15 November 2016. Mr. Leung was an independent non-executive Director of Rui Kang Pharmaceutical Group Investments Limited (Stock Code: 8037) from 26 June 2013 to 5 December 2017. Mr. Leung was employed by a law firm in Hong Kong as community service manager. He also worked in Beta Field Capital Limited as a business director from December 2011 to February 2012 and he has worked as the China Business director in Beta Field Capital Limited from April 2013 to September 2015. Mr. Leung has been a district council member of Sha Tin District Council since 2008. Mr. Leung has also been a committee member of Yunfu City of the Chinese People’s Political Consultative Conference* (中國人民政治協商會議雲浮市委員會) in the PRC since January 2013. Mr. Leung is currently a member of Sha Tin District of Fight Crime Committee (沙田區撲滅罪行委員會), a vice-president of Sha Tin East District in New Territories East Region of District Scout Council of Scout Association of Hong Kong (香港童軍總會新界東地域沙田東區區務委員會). Mr. Leung has been a director of Hong Kong Association For The Development of Western China Limited (香港中國西部發展促進會有限公司) since 2011. Mr. Leung obtained a Master of Arts degree in Chinese Language and Literature from The Hong Kong Polytechnic University in October 2008, a Postgraduate Diploma in Education (Teaching in Chinese) from Hong Kong Baptist University in November 2012 and a Master of Arts degree in Sociology from The Chinese University of Hong Kong in November 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Jing Siyuan (“Ms. Jing”), aged 41, has been working as general manager in Shenzhen An Ping Tai Management Consulting Co., Ltd. (深圳市安平泰企業管理諮詢有限公司) since July 2015. Ms. Jing has been working as an internal control and financial consultant in Shenzhen Fronter Electronics Co., Ltd. (深圳市福浪電子有限公司), Shenzhen Hi- Chipcom Electronics Co., Ltd. (深圳市海芝通股份有限公司), a company whose shares are listed on The National Equities Exchange and Quotations (company code: 837413) and Shenzhen Zhi Ling Wei Ye Technology Co., Ltd. (深圳志凌偉業股份有限公司), a company whose shares are listed on The National Equities Exchange and Quotations (company code: 834148) from August 2015 to August 2016. Ms. Jing graduated from Oxford Brookes University in the United Kingdom with a degree in Bachelor of Science (Applied Accounting) in July 2008. She graduated from Henan University in the PRC with a diploma in Chinese language and literature education in July 2001. Ms. Jing was admitted as a member of the Association of Chartered Certified Accountants (“ACCA”) in October 2013. She obtained the certificate of qualified secretary of board of directors from the Shenzhen Stock Exchange in April 2013. Ms. Jing qualified as an Accounting Technician of the ACCA in May 2004.

Mr. Zhang Aimin (“Mr. Zhang AM”), aged 41, is a director and chief executive officer of Zhejiang Xinyuan Education Consulting Limited (浙江心元教育諮詢有限公司), a company principally engaged in the business of providing education consultancy and training related services. Mr. Zhang AM has over 7 years experience in the education consultation fields. Mr. Zhang AM obtained a master of business administration from China Europe International Business School in September 2010 and a bachelor’s degree in international trade and economics from Beijing University in July 1999.

Mr. Zhang Qiang (“Mr. Zhang”), aged 32, is a practising lawyer qualified in the People’s Republic of China. Mr. Zhang has over 6 years experience in the practice of law in China. Mr. Zhang obtained his licence to practise law in China in February 2009 and a bachelor’s degree in law from Heilongjiang University in June 2007. Mr. Zhang also obtained a master’s degree in law from Renmin University of China in January 2018.

REPORT OF THE DIRECTORS

The Directors of the Company (the “Directors”) are pleased to present their annual report and the audited financial statements for the year ended 31 December 2017.

BUSINESS REVIEW AND PERFORMANCE

A review and outlook of the business of the Company and a discussion and analysis of the Group’s performance during the year and the material factors underlying its results and financial position are provided in the Management Discussion and Analysis from pages 3 to 9 of this annual report.

PRINCIPAL ACTIVITIES

The Group is principally engaged in investing in listed and unlisted securities. The activities of the subsidiaries of the Company are set out in note 35 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 48 to 119. The Directors do not recommend the payment of a final dividend for the year.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 24 to the consolidated financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company during the year are set out in note 25 to the consolidated financial statements. Under the Companies Law of the Cayman Islands, share premium of the Company is available for distributions or paying dividends to the shareholders subject to the provisions of its Memorandum (“Memorandum”) and Articles of Association (“Articles”) and a statutory solvency test. In accordance with Article 143 of the Articles, dividends may be declared and paid out of the profit of the Company or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared or paid out of share premium account. There were no reserves available for distribution in both years ended 31 December 2017 and 2016.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's entire revenue is derived from the Group's investments in listed and unlisted securities and financial institutions and thus the disclosure of customers and suppliers information would not be meaningful.

DIRECTORS

The Directors of the Company who held office during the year ended 31 December 2017 and up to the publication of this annual report are:

Executive Directors

Mr. Zhang Xi

Mr. Luk Hong Man, Hammond

Non-executive Directors

Mr. Sui Guangyi

Mr. Wong Mengtao

Mr. Leung Ka Fai

Ms. Ma Xiaoqiu (appointed on 27 June 2017)

Independent non-executive Directors

Ms. Jing Siyuan

Mr. Zhang Aimin

Mr. Zhang Qiang

At the forthcoming AGM, retirement and re-election of Directors will take place in accordance with the requirements in the Articles.

None of the Directors proposed for re-election at the AGM has a service contract which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES AND THE UNDERLYING SHARES OF THE COMPANY AND ANY ASSOCIATED CORPORATIONS

As at 31 December 2017, the interests and short positions of each Director and the chief executives of the Company in the shares and the underlying shares of the Company and any associated corporations (as defined in Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept under Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

(i) Long positions in shares as at 31 December 2017

Name of Director	Capacity	Notes	Number of shares	Approximate percentage of shareholding
Sui Guangyi ("Mr. Sui")	Beneficial owner		149,582,400	12.28%
Mr. Sui	Interest of controlled corporation	(1)	198,030,400	16.26%
Ma Xiaoqiu	Beneficial owner		10,520,000	0.86%

(ii) Long positions in underlying shares as at 31 December 2017

Name of Director	Capacity	Notes	Number of underlying shares	Approximate percentage of shareholding
Luk Hong Man, Hammond	Beneficial owner	(2)	6,076,597	0.49%
Zhang Xi	Beneficial owner	(2)	6,076,597	0.49%
Wang Mengtao	Beneficial owner	(3)	3,000,000	0.24%
Leung Ka Fai	Beneficial owner	(3)	3,000,000	0.24%
Jing Siyuan	Beneficial owner	(3)	800,000	0.06%
Zhang Aimin	Beneficial owner	(3)	800,000	0.06%
Zhang Qiang	Beneficial owner	(3)	800,000	0.06%
Ma Xiaoqiu	Beneficial owner	(4)	1,200,000	0.10%

Notes:

- (1) These shares are held by HK DYF Int'l Holding Group Limited, which is held as to 74.55% by Shenzhen Ding Yi Feng Assets Management Co., Ltd. which is in turn held as to 29.39% by Mr. Sui. Mr. Sui is deemed to be interested in these shares by virtue of the SFO.
- (2) 776,597 share options are at an exercise price of HK\$0.729 per share of the Company with exercise period from 17 June 2015 to 16 June 2025. 5,300,000 share options are at an exercise price of HK\$0.808 per share of the Company with exercise period from 16 November 2016 to 15 November 2026.
- (3) There share options are at an exercise price of HK\$0.808 per share of the Company with exercise period from 16 November 2016 to 15 November 2026.
- (4) There share options are at an exercise price of HK\$2.25 per share of the Company with exercise period from 30 August 2017 to 29 August 2027.

Save as disclosed above, at 31 December 2017, none of the Directors nor chief executives of the Company had or was deemed to have any interests or short positions in shares, underlying shares or debentures of the Company and its associated corporations as recorded in the register required to be maintained under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 26 to the consolidated financial statements.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme as disclosed in note 26 to the consolidated financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

As at 31 December 2017, the register of substantial shareholders maintained by the Company pursuant to Section 336 of SFO shows that other than being a Director or chief executive of the Company, the following shareholders had notified the Company of the relevant interests amounting to 5% or more of the ordinary shares in issue:

Long position

Name	Number of shares	Type of interest	Approximately percentage of total issued share capital of the Company
HK DYF Int'l Holding Group Limited	198,030,400	Beneficial owner	16.26%
Shenzhen Ding Yi Feng Assets Management Co., Ltd. (Note 1)	198,030,400	Interest of controlled corporation	16.26%
Mr. Sui (Note 2)	347,612,800	Beneficial owner and interest of controlled corporation	28.54%

Note 1: Shenzhen Ding Yi Feng Assets Management Co., Ltd. is deemed to be interested in 198,030,400 shares through her controlling interest (74.55%) in HK DYF Int'l Holding Group Limited.

Note 2: 198,030,400 of these shares are held by HK DYF Int'l Holding Group Limited, which is held as to 74.55% by Shenzhen Ding Yi Feng Assets Management Co., Ltd., which is in turn held as to 29.39% by Mr. Sui. Mr. Sui is deemed to be interested in these shares by virtue of the SFO.

REPORT OF THE DIRECTORS

Save as disclosed above, the Directors are not aware of any person who has an interest or short position in the shares or underlying shares of the Company (which is discloseable under Divisions 2 and 3 of the Part XV of the SFO), or is directly or is indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group (which is discloseable under the Listing Rules).

CONNECTED TRANSACTION AND DIRECTORS' INTEREST IN CONTRACT OF SIGNIFICANCE

Details are set out in note 28 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2017, neither the Company nor any of its subsidiaries has purchased, sold nor redeemed any of the Company's listed securities.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2017, the Directors had not aware of any business or interest of the Directors and their associates that compete or may compete with the business of the Group and any conflicts of interests which any such person has or may have with the Group.

AUDIT COMMITTEE

The Audit Committee currently comprised solely of independent non-executive Directors only, namely, Ms. Jing Siyuan (chairman), Mr. Zhang Aimin and Mr. Zhang Qiang. The composition and members of the Audit Committee comply with the requirement under Rule 3.21 of the Listing Rules.

The Audit Committee is mainly responsible for overseeing the Company's financial reporting system and internal control procedures; making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of the resignation or dismissal of such auditors; and reviewing the interim and annual reports and accounts of the Company.

The Audit Committee meets regularly to review the financial reporting process and internal controls of the Group. The Audit Committee has reviewed the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters with the management of the Company including a review on the consolidated financial statements of the Group for the year ended 31 December 2017.

CORPORATE GOVERNANCE

Details of the Company's corporate governance are set out in the Corporate Governance Report on pages 19 to 27 of this Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company of those who served as Director during the year ended 31 December 2017, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2017.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata to existing shareholders of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained a sufficient public float as required under the Listing Rules throughout the year ended 31 December 2017.

PERMITTED INDEMNITY PROVISION

The Articles provide that the Directors are entitled to be indemnified out of the assets and profits of the Company against all losses or liabilities which they may sustain or incur in their respective offices. During the year, appropriate directors' and officers' liabilities insurance coverage had been arranged in respect of legal action that might be taken against the Directors and officers of the Company.

REPORT OF THE DIRECTORS

FIVE YEAR SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 120.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors are independent.

AUDITOR

The consolidated financial statements for the year ended 31 December 2017 were audited by HLM CPA Limited who will retire and seek for re-election at the forthcoming AGM.

On behalf of the Board

China Investment Fund International Holdings Limited

Sui Guangyi

Chairman

Hong Kong, 21 March 2018

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

Following the issue of the Code on Corporate Governance Practices (the “CG Code”), as set out in Appendix 14 of the Listing Rules, the Company has carefully reviewed and considered its provisions, and carried out a detailed analysis on the corporate governance practices of the Company against the requirements of the CG Code. We have, throughout the year ended 31 December 2017, complied with the code provisions of the CG Code as and when they were/are applicable and in force.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2017.

BOARD OF DIRECTORS

Composition and role

Executive Directors

Mr. Zhang Xi

Mr. Luk Hong Man, Hammond

Non-executive Directors

Mr. Sui Guangyi

Mr. Wong Mengtao

Mr. Leung Ka Fai

Ms. Ma Xiaoqiu (appointed on 27 June 2017)

Independent non-executive Directors

Ms. Jing Siyuan

Mr. Zhang Aimin

Mr. Zhang Qiang

CORPORATE GOVERNANCE REPORT

There is no relationship between members of the Board.

The Board sets the Group's overall objectives and strategies, monitors and evaluates its operating and financial performance and reviews the corporate governance standard of the Company. It also decides on matters such as annual and interim results, major transactions, Director's appointments or re-appointments, and dividend and accounting policies.

The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Group's businesses to the executive Directors.

The key responsibilities of the Board include the formulation of the Group's overall strategies, setting performance targets, regulate and maintain internal controls, monitoring financial reporting process and manage day-to-day business operations. The Board is responsible to promote the success of the Company by directing and supervising its affairs in a responsible and effective manner. Each Director has a duty to act in good faith in the best interests of the Company. The Directors are aware of their collective and individual responsibilities to all shareholders for the manner which the affairs of the Company are managed, controlled and operated.

The Board comprises of two executive Directors, four non-executive Director and three independent non-executive Directors. The biographical details of all Directors are presented on pages 10 and 11 of this annual report. At the forthcoming AGM, retirement and re-election of Directors will take place in accordance with the requirements in the Articles.

An independent non-executive Director, Ms. Jing Siyuan possesses appropriate professional accounting qualifications and financial management expertise, which satisfies Rule 3.10(2) of the Listing Rules. Through positive contributions to the Board and committee works, the independent non-executive Directors provide independent directives and views on important decisions in respect of strategic developments, corporate governance practices, financial reporting framework, internal controls and risk management.

During the year 2017, the Board maintained the Audit Committee, the Remuneration Committee and the Nomination Committee as required by the applicable rules. In April 2016, in order to strengthen the governance of the Company, the Board set up the Risk Management Committee and the Investor Relations Committee. The independent non-executive Directors bring independent judgement on issues of strategic direction, development, performance and risk management through their contribution at board meetings and committee work. Pursuant to Rule 3.13 of the Listing Rules, the Company has received from all the independent non-executive Directors an annual confirmation of independence, and accordingly the Company considers them to be independent.

Board meetings and Directors' Attendance

The full Board meets regularly and on other occasions when a Board decision is required on major issues. Details of Directors' attendance at the AGM and board meeting held in 2017 are set out in the following table:

Name of Directors	Meeting attended/held	
	Board meeting	AGM held on 26 June 2017
Executive Directors		
Mr. Zhang Xi	4/4	1/1
Mr. Luk Hong Man, Hammond	4/4	1/1
Non-Executive Directors		
Mr. Sui Guangyi	4/4	1/1
Mr. Wong Mengtao	4/4	1/1
Mr. Leung Ka Fai	4/4	1/1
Ms. Ma Xiaoqiu (appointed on 27 June 2017)	1/4	N/A
Independent Non-executive Directors		
Ms. Jing Siyuan	4/4	1/1
Mr. Zhang Aimin	4/4	1/1
Mr. Zhang Qiang	4/4	1/1

Directors' Training and Professional Development

During the year, all Directors participated in continuous professional development to develop and refresh their knowledge and skill by way of attending seminars, briefings or training courses and reading the relevant materials.

In addition, every newly appointed Director will receive an introduction on the first occasion of his appointment, so as to ensure that he has a proper understanding of the operations and business of the Company, and his responsibilities under the Listing Rules and relevant regulatory requirements.

CORPORATE GOVERNANCE REPORT

According to the records maintained by the Company, the training received by the Directors in compliance with the requirement of the Code on continuous professional development during the period from 1 January 2017 to 31 December 2017 are set out below:

Name of Directors	Reading materials	Attending seminars/ briefings/ training courses
Executive Directors		
Mr. Zhang Xi	✓	✓
Mr. Luk Hong Man, Hammond	✓	✓
Non-Executive Directors		
Mr. Sui Guangyi	✓	✓
Mr. Wong Mengtao	✓	✓
Mr. Leung Ka Fai	✓	✓
Ms. Ma Xiaoqiu (appointed on 27 June 2017)	✓	✓
Independent Non-executive Directors		
Ms. Jing Siyuan	✓	✓
Mr. Zhang Aimin	✓	✓
Mr. Zhang Qiang	✓	✓

Chairman and Chief Executive

The roles of the Chairman and the Chief Executive are segregated and assumed by two separate individuals who have no relationship with each other to strike a balance of power and authority so that the job responsibilities are not concentrated on any one individual.

The Chairman of the Board is responsible for the leadership and effective running of the Board. The Chief Executive is delegated with the authorities to manage the Group's business in all aspects effectively, implement major strategies, make day-to-day decision and coordinate overall business operation.

The Board has appointed Mr. Sui Guangyi as chairman with effect from 2 October 2015 while the role of chief executive remained vacant until 22 April 2016 was assumed by Mr. Luk Hong Man, Hammond when the Board appointed him as chief executive officer with effect from that date.

Appointments, Re-election and Removal

In accordance with Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. Currently, all independent non-executive Directors have been appointed for a specific term of 3 years but are subject to retirement by rotation and re-election at the AGM in accordance with the Articles.

In accordance with our Articles, all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

BOARD COMMITTEES

Pursuant to Rule 3.21, Rule 3.25 and Corporate Governance Code A.5.1, during 2017 the Board has maintained the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing relevant aspects of the affairs of our Company. These committees are established with written terms of reference are available on our website and on the website of The Stock Exchange of Hong Kong Limited.

Audit Committee

The Audit Committee currently comprised solely of independent non-executive Directors only, namely, Ms. Jing Siyuan (chairman), Mr. Zhang Aimin and Mr. Zhang Qiang. The composition and members of the Audit committee comply with the requirements under Rule 3.21 of the Listing Rules.

The Audit Committee is mainly responsible for overseeing the Company's financial reporting system and internal control procedures; making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of the resignation or dismissal of such auditors; and reviewing the interim and annual reports and accounts of the Company.

The Audit Committee meets regularly to review the financial reporting process and internal controls of the Group. The Audit Committee has reviewed the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters with management of the Company including a review of the consolidated financial statements of the Group for the year ended 31 December 2017.

The Group's 2017 audited financial statements had been duly reviewed by the Audit Committee with the auditor. The members of the Audit Committee unanimously recommended for approval by the Board. The Audit Committee has concluded that it is satisfied with the professional performance of the auditor and therefore recommends the Board that HLM CPA Limited ("HLM") be re-appointed as our auditor in the AGM.

With the consent of the Audit Committee, the Board hereby confirms that, in the preparation of the 2017 consolidated financial statements of the Company, the Directors, both collectively and individually applied such degree of skill, care and diligence as may reasonably be expected of under the Rule 3.08 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

HLM was appointed as auditor of the Company until conclusion of the AGM. During the year, the remuneration in respect of audit and non-audit services provided by the auditor are as follows:

Audit services	HK\$680,000
Non-Audit services	HK\$360,000

The Audit Committee held two meetings during 2017. The Committee recommended the Board regarding the re- appointment of HLM to act as the auditor of the Company and its subsidiaries and has reviewed the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters with management including a review of the consolidated financial statements for the period ended 30 June 2017 and for the year ended 31 December 2017.

The attendance of the Audit Committee meetings held during 2017 of those persons who were members of the committee in 2017 is as follows:

Audit Committee members	Meetings attended/held
Independent Non-executive Directors	
Jing Siyuan, <i>Chairman</i>	2/2
Zhang Aimin	2/2
Zhang Qiang	2/2

Remuneration Committee

The Remuneration Committee currently comprised of executive Director, Mr. Zhang Xi and independent non- executive Directors, namely, Mr. Zhang Aimin (chairman) and Ms. Jing Siyuan.

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and making recommendations to the Board on the remuneration packages of individual executive Director and senior management.

The Remuneration Committee held two meetings during 2017 to discuss about the remuneration package of Directors and make recommendation to the Board on the amount of discretionary bonus for the Directors and senior management.

The attendance of the Remuneration Committee meetings held during 2017 of those persons who were members of the committee in 2017 is as follows:

Remuneration Committee members	Meetings attended/held
Executive Director	
Zhang Xi	2/2
Independent Non-executive Directors	
Zhang Aimin, <i>Chairman</i>	2/2
Jing Siyuan	2/2

Nomination Committee

The Nomination Committee currently comprised of executive Director, Mr. Luk Hong Man, Hammond and independent non-executive Directors, namely, Ms. Jing Siyuan (chairman) and Mr. Zhang Aimin.

The Nomination Committee is mainly responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of the independent non-executive Directors; and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

The Nomination Committee formulated the Board diversity policy and the Company has adopted the Board diversity policy in August 2013. The Company recognises and embraces the benefits of diversity in Board members. Selection of Board members will be based on a range of diversified perspectives, including but not limited to gender, age, ethnicity, cultural and educational background, or professional experience. All Board appointments will be based on merit and the needs of the Company's business while taking into account diversity. The Nomination Committee also monitors the implementation of this policy and reports to the Board on the achievement of the measurable objectives for achieving diversity under this policy.

The Nomination Committee held two meetings during 2017 to make recommendation to the Board on the re-election of Directors, review the structure, size and composition of the Board, assess the independence of the independent non-executive Directors and review and discuss the Board diversity policy.

CORPORATE GOVERNANCE REPORT

The attendance of the Nomination Committee meetings held during 2017 of those persons who were members of the committee in 2017 is as follows:

Nomination Committee members	Meetings attended/held
Executive Director	
Luk Hong Man, Hammond	2/2
Independent Non-executive Directors	
Jing Siyuan, <i>Chairman</i>	2/2
Zhang Aimin	2/2

INTERNAL CONTROLS

The Board has the responsibility to maintain an effective internal control system in order to safeguard the Group's assets and protect the shareholders' interests. The Board assesses the effectiveness of the internal control system and procedures derived from discussions with the Directors and reviews conducted by the Audit Committee. The Board believes that the existing internal control system is adequate and effective.

COMPANY SECRETARY

Ms. Hong Lai Ping was appointed as the Company Secretary of the Company on 5 February 2010. The Company Secretary reports to the Directors of the Company and is responsible for advising the Board on governance matters. According to the Rule 3.29 of the Listing Rules, the Company Secretary has taken not less than 15 hours of relevant professional training during the year.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors acknowledge their responsibility for preparing the Group's consolidated financial statements in accordance with statutory requirements and applicable accounting standards. The responsibilities of the Directors are to prepare the financial accounts for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The Directors also acknowledge that the publication of the consolidated financial statements should be distributed to the shareholders of the Company in a timely manner. In preparing the accounts for the year ended 31 December 2017, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent, fair and reasonable and prepared accounts on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

Procedures for convening an extraordinary general meeting and putting forward proposals at general meeting

Any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company at the Units 6602-03, Level 66, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

There are no provisions under the Company's Articles or the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands regarding procedures for Shareholders to put forward proposals at general meetings other than a proposal of a person for election as Director. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

ENQUIRIES TO THE BOARD

The Board always welcomes shareholders' views and input. Shareholders may at any time send their enquiries and concerns to the Board by addressing them to Company Secretary of the Company and the contact details are as follows:

Company Secretary
China Investment Fund International Holdings Limited
Units 6602-03, Level 66, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong
Email: info@cifund.com.hk
Tel. No.: (852) 2838 9806
Fax No.: (852) 2838 6782

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2017, the Company has not made any changes to its Memorandum and Articles.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THIS REPORT

The ESG Report is prepared according to the “Environmental, Social and Governance Reporting Guide” (the “ESG Reporting Guide”) under Appendix 27 of the Main Listing Rules Chapter 13.91 of The Hong Kong Exchanges and Clearing Limited. With reference to the definition stated in the ESG Reporting Guide, the presentation of our ESG Report will divide those aspects and key performance indicators (“KPI”), which are considered to be relevant and material to the Group’s businesses and operations, into four subject areas: Environmental Protection, Employment and Labour Practices, Operational Practices and Community Contribution. A complete list of index in compliance with the ESG Reporting Guide is also available at the end of this Report for reference.

In order to define what are relevant and material to our business with respect to sustainability, the key is to identify the issues that concerned our stakeholders most in a continuous manner. Our stakeholders include the shareholders, employees, clients, suppliers, customers, environment and community. In our daily business, we actively exchange information with our stakeholders through our transparent platform while we are devoted to continuous improvement of our communication system. We are committed to maintaining a long-term partnership with our stakeholders and are actively engaged in addressing their concerns with timely follow-up actions. If you, as one of our stakeholders, have any questions about the content of the ESG Report or comments on the Group’s sustainability issues, please contact us via info@cifund.com.hk.

2. ENVIRONMENTAL PROTECTION

The Group considers that a healthy environment is crucial to the well-being of human beings and every one of our society, through providing the foundation of a sustainable economy. Because of this, we, as part of the planet Earth, believe our planet deserves our best thinking and investment.

In accordance with our environmental vision, the Group is committed to upholding high environmental standards to fulfil relevant requirements under applicable laws and regulations during the operation of our business.

As a company that is principally engaged in investment in both listed and unlisted securities, we bear low impact on carbon emission and the environment. Nevertheless, the Group continued to manage our environmental footprint via reducing our resource consumption and carbon emissions at all business levels.

2.1 Energy Efficiency Management

Electricity consumption of our corporate office is the major contribution to our greenhouse gas emission and energy footprints. In 2017, the Group adopted a number of energy-saving initiatives and efficiency practices to reduce greenhouse gas emission and conserve energy usage, encompassing:

- indoor temperature is maintained at an optimal level for comfort;
- LED lighting system is set in the offices;
- employees are encouraged to turn off the computers, monitors and other personal electronic devices before they leave the office;
- office machines such as copiers and TV monitors are set to turn off automatically after office hours;
- telecommunication system is encouraged to avoid unnecessary travel arrangement;

- signages are put on at appropriate areas to raise the awareness of energy saving.
- encouraging employees to make the best use of the video conference facilities so as to avoid unnecessary travel arrangement.

2.2 Non-Hazardous Waste Management

We are as committed as ever to conserving precious resources, believing that every small step will make a difference. Besides implementation of energy saving initiatives in the office, the Group also promotes other eco-friendly measures to reduce disposal of non-hazardous waste in our operation.

Contributing to our efforts to reduce paper usage, we have encouraged paperless solution for the operation. The electronic information system is encouraged for documents storage, material sharing or internal administrative documents. It considerably improves operational efficiency while helping create a paperless operation system, thereby contributing to waste reduction and resource conservation. When using paper, employees are encouraged to use double-sided paper, black and white or recycled papers when printing or photocopying documents.

During the reporting period, the Group produced approximately 6,800kg of non-hazardous waste in total.

2.3 Environmental Performance

Throughout our operation, we consider environmental stewardship as an essential component of our corporate responsibility and are therefore exceptionally committed to promoting environmental protection activities in harmony with economic development.

In accordance with the ESG Reporting Guide set out by the Hong Kong Stock Exchange, our environmental performance of “Energy Use and Emissions” and “Resource Use” during the reporting period are tabulated as below.

Table 1 – Energy Use and Emissions

Energy Use and Emissions	Unit	2017
Electricity	kWh	23,796
Unleaded Petrol	L	11,757
Greenhouse Gas Emissions	CO2e (Kg)	53,873
NOx	g	107,306
SOx	G	172
PM	G	7,900

Table 2 – Use of Resources

Use of Resources	Unit	2017
Paper	Piece (kg)	134,824 (674)

In the future, the Group will continue to raise employees’ awareness in environmental protection on an ongoing basis and perform our business with an environmentally conscious approach.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3. EMPLOYMENT AND LABOUR PRACTICES

3.1 Employment and Labour

At the Group, we owe much of our success to a team of dedicated and talented workforce. We recognise that our people essentially form the foundation on which we fulfil goals and continuously drive our business to new levels of milestone. We are determined to provide a desirable workplace, continuous training and prospective career opportunities to our staff-members, focusing on getting the very best from the staff-members and helping them achieve their goals throughout their career path.

In our employee inclusion, we strictly follow the relevant laws and regulations and our employment policies to select candidates based on skillsets, experience and expertise. Equality and diversity is highly respected in our corporate philosophy during the process of employment, remuneration, promotion and termination.

We safeguard the rights of our employees by strictly complying with the requirements of the Labour Law of Hong Kong and employment regulations related to compensation, welfare, working hours, rest periods, anti-child labour and anti-force labour. In 2017, we continue to provide medical insurance, disability and invalidity coverage, maternity leave, Mandatory Provident Fund (MPF) Scheme, incentive and bonus to all our applicable full-time employees. In addition, we strive to provide an inclusive work environment free from harassment and discrimination.

In accordance with the ESG Reporting Guide set out by the Hong Kong Stock Exchange, the details of the workforce of the Group during the reporting period are tabulated as well as presented in graphs below.

Table 3 – Our Workforce

	2017
Total Number of Full-Time Employees	30

Chart 1 – Total workforce by age group

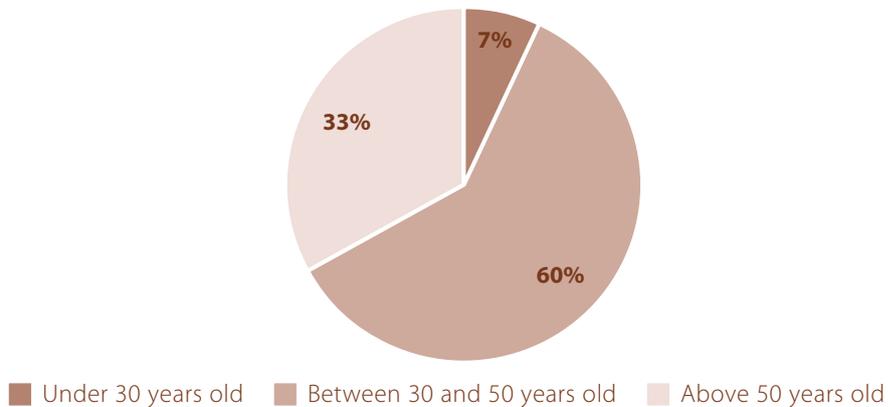
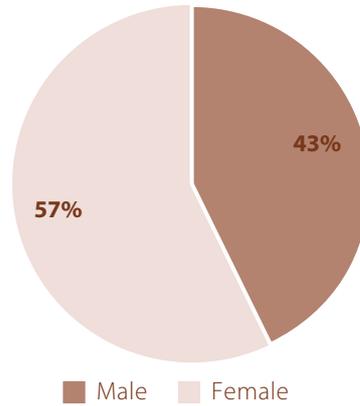
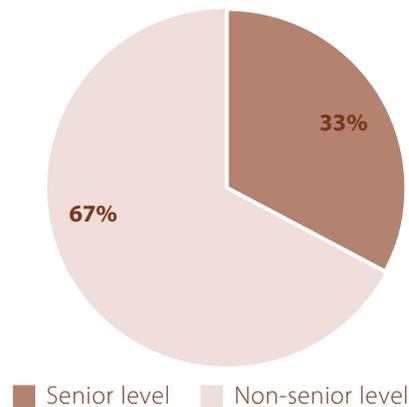


Chart 2 – Total workforce by gender**Chart 3 – Total workforce by ranking**

3.2 Training and Development

The Group sees each of the position is of unique professional and technical needs. Thus, we ensure that our professional training and development programs continuously evolve and create a listening culture through support and coaching.

For every new joiner, we provide a proper orientation training and mentoring in order to help them adapt to the new working environment quickly. Continuous internal training is committed by the Group in different ways including comprehensive training for specific skill developments and professional training for relevant employees.

Through a variety of on-the-job learning sessions, we are able to nurture and retain excellent talents and strengthen the competitiveness of the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In accordance with the ESG Reporting Guide set out by the Hong Kong Stock Exchange, details of the of training and development programs provided by the Group during the reporting period of 2017 are tabulated as well as presented in graphs below.

Table 4 – Training and Development

Employee Training	Unit	2017
Average hours of training received per employee	hours	1.63
Average hours of training per employee by gender		
Female	hours	0.79
Male	hours	2.73
Average hours of training per employee by ranking		
Senior level	hours	4.90
Ordinary level	hours	–

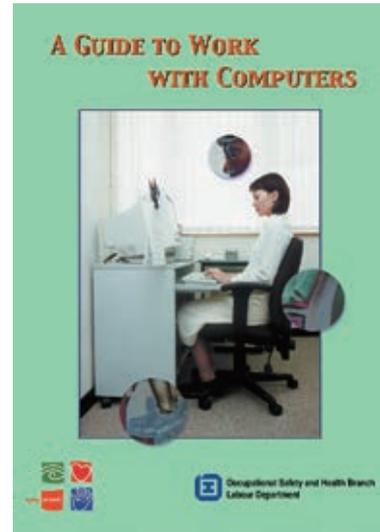
3.3 Health and Work Safety

Bearing in mind that the operational efficiency of an enterprise and the maintenance of a healthy and safe working environment for all employees are closely related, the Group has been attaching great importance to a comfortable and safe working environment for our employees which protect them from any potential occupational hazards.

The Group has offered various facilities to address the health and safety needs of our employees, encompassing:

- installing air purifiers in areas where are relatively crowded such as conference and meeting rooms;
- ensuring ample space between workstations and clean and tidy common space such as corridors and pantry;
- maintaining sufficient ventilation and lighting system in the offices;
- offering adjustable chairs and monitor screens for eye protection at each individual workstation.

The Group also uploaded occupational safety guidelines including appropriate work postures and posters of proper lifting method onto the intranet and put up reminder signages at appropriate areas in offices to encourage healthier living of employees.



The Group understands that sense of belonging and morale of the employees are the key drivers of the healthy growth of every commercial organization. As a result, the Group is determined to promote open and direct communication between employees and management. Causal and festival gatherings such as Christmas and Chinese New Year dinners are organized to enhance the harmonious spirit throughout the Group.

4. OPERATING PRACTICES

4.1 Supply Chain Management

As a responsible corporate citizen, one of our missions is to continuously integrate sustainability into our core business. In case we need to select our suppliers and contractors in the process of our business operation, we do not just consider economical and commercial factors in the tendering processes but whether they comply with all the applicable laws and regulations; safeguard workers' health and safety; and mitigate environmental impacts or not are also taken into account. In addition, the Group encourages all business partners to develop energy-saving and consumption-reducing policies in order to work together in our pursuit of sustainable development.

To maintain a good corporate control and governance, the Group has developed a series of management systems and procedures to be aligned with the Corporate Governance required by the Hong Kong Stock Exchange.

4.2 Anti-Corruption

The Group is committed to upholding a high standard of business ethics and to standards to prohibit bribery and corrupt practices. The Group has developed a series of company policies on anti-fraud, anti-bribery and anti-extortion with reference to the Prevention of Bribery Ordinance (Cap 201 of the Laws of Hong Kong) which are set out in the employee handbook. These policies apply to all members of the Group, and we also encourage all of our business partners to abide by the principles of the policies. The Group conducts periodic and systematic fraud risk assessments and will effectively communicate its anti-fraud policy and procedures to all levels of employees. The Group will monitor the effectiveness of its control related to mitigating fraud risk and remedy any deficiencies identified internally and by any external parties such as auditors in a timely manner.

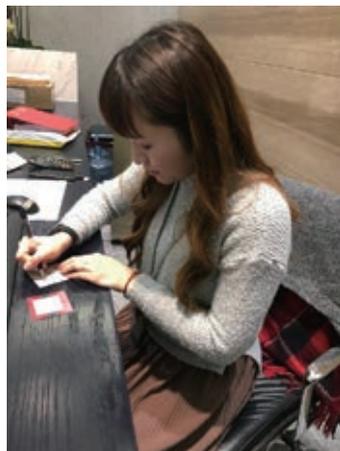
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the reporting period, we comply with the corporate policy of anti-corruption and no cases of anti-corruption have been concluded. All employees perform their duties with utmost level of good faith, determination and professionalism, and ensure that the reputation of the Group will not be tarnished because of misconduct and corruption behavior.

5. COMMUNITY INVESTMENT

We are committed to and take pride in contributing to the community in a variety of forms. As a part of the community that we cherish, the Group have put their best effort in helping the local communities and people in needs in the society and contributing to the well-being of a community beyond financial support. We constantly encourage our employees to contribute their skills and time to the community by volunteering our time in the community development and outreach programs.

In line with this commitment, we have chosen to share our care with the hospitalized children during the reporting period. This year, we have prepared some Christmas stockings for Ronald McDonald House Charities, a registered charity organization in Hong Kong with a mission to provide a 'home away from home' – accommodation for families so they can stay close to their hospitalized children.



6. HKEX ESG GUIDE CONTENT INDEX

Aspects, General Disclosures and KPIs	Description	Relevant Section in the ESG Report	Remarks
Aspect A1: Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	Environmental Protection	
KPI A1.1	Types of emissions and respective emissions data	Environmental Protection	
KPI A1.2	Greenhouse gas emissions in total and, where appropriate, intensity	Environmental Protection	
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity	–	The Group has not identified any hazardous waste was produced in our core business
KPI A1.4	Total non-hazardous waste produced and intensity	–	No significant non-hazardous waste was produced by our core business
KPI A1.5	Description of measures to mitigate emissions and results achieved	Environmental Protection	
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Environmental Protection	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant Section in the ESG Report	Remarks
Aspect A2: Use of Resources			
General Disclosure	Policies on efficient use of resources including energy, water and other raw materials	Environmental Protection	
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity	Environmental Protection	
KPI A2.2	Water consumption in total and intensity	–	The Group believes that our water consumption is mainly used for domestic purpose and no issues have been identified at this moment.
KPI A2.3	Description of energy use efficiency initiatives and results achieved	Environmental Protection	
KPI A2.4	Description of whether there is any issue in sourcing water, water efficiency initiatives and results achieved	–	The Group believes that our water consumption is mainly for domestic use and no issues have been identified at this moment.
KPI A2.5	Total packaging material used for finished products, and if applicable, with reference to per unit produced	–	Use of packaging material is not applicable to our core business

Aspects, General Disclosures and KPIs	Description	Relevant Section in the ESG Report	Remarks
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources	Environmental Protection	
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them	Environmental Protection	
Aspect B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	Employment and Labour Practices	
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	Employment and Labour Practices	
KPI B1.2	Employee turnover rate by gender, age group and geographical region	–	The turnover rate is 0 during the reporting period

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant Section in the ESG Report	Remarks
Aspect B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	Employment and Labour Practices	
KPI B2.1	Number and rate of work-related fatalities	–	No work-related fatalities were recorded during the reporting period.
KPI B2.2	Lost days due to work injury	–	No lost days due to work injury were recorded during the reporting period
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Employment and Labour Practices	
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	Employment and Labour Practices	
KPI B3.1	The percentage of employees trained by gender and employee category	Employment and Labour Practices	
KPI B3.2	The average training hours completed per employee by gender and employee category	Employment and Labour Practices	

Aspects, General Disclosures and KPIs	Description	Relevant Section in the ESG Report	Remarks
Aspect B4: Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	Employment and Labour Practices	
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	Employment and Labour Practices	
KPI B4.2	Description of steps taken to eliminate child and forced labour practices when discovered	–	No such incidents were reported during the reporting period.
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain	Operating Practices	
KPI B5.1	Number of suppliers by geographical region	–	No suppliers were used for our core business during the reporting period
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Operating Practices	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant Section in the ESG Report	Remarks
Aspect B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	–	Not identified as material aspect
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	–	Not identified as material aspect
KPI B6.2	Number of products and service related complaints received and how they are dealt with	–	Not identified as material aspect
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	–	Not identified as material aspect
KPI B6.4	Description of quality assurance process and recall procedures	–	Not identified as material aspect
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	–	Not identified as material aspect

Aspects, General Disclosures and KPIs	Description	Relevant Section in the ESG Report	Remarks
Aspect B7: Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	Operating Practices	
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	–	No concluded legal cases regarding corrupt practices were brought against the issuer or its employees during the reporting cases.
KPI B7.2	Description of preventive measures and whistle – blowing procedures, how they are implemented and monitored		At this moment, the Group has no whistle-blowing procedure and is planning to review the feasibility and appropriateness of it in the coming years.
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities takes into consideration communities' interests	Community Investment	
KPI B8.1	Focus areas of contribution	Community Investment	
KPI B8.2	Resources contributed to the focus areas	Community Investment	

INDEPENDENT AUDITOR'S REPORT

恒健會計師行有限公司

HLM CPA LIMITED

Certified Public Accountants

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TO THE SHAREHOLDERS OF CHINA INVESTMENT FUND INTERNATIONAL HOLDINGS LIMITED

中國投資基金國際控股有限公司

(Incorporated as an exempted company in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Investment Fund International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 48 to 119, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA5") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter**How our audit addressed the key audit matter****Valuation of the unlisted available-for-sale (“AFS”) financial assets**

Refer to Note 17 to the consolidated financial statements

Fair value of unlisted AFS investment in Galaxy Automotive MS Inc. (“Galaxy AMS”)

The Group’s unlisted AFS investment in Galaxy AMS amounting to HK\$7,190,000 was measured at fair value as at 31 December 2017 and there was a revaluation loss of HK\$8,020,000 for the year then ended. The fair value was assessed by the management based on a valuation performed by an independent valuer (the “Valuer”) engaged by the Group.

The valuation of the unlisted AFS investment in Galaxy AMS involved significant judgements and estimates, including the determination of valuation methodology and the selection of different inputs to the valuation model.

Considering the significant judgements and estimation elements involved in the determination of fair value and the financial impacts it brings to the consolidated financial statements, we have identified the valuation as a key audit matter.

Our procedures in relation to the valuation assessment of the unlisted AFS investment in Galaxy AMS included the following:

- assessing the competence, capabilities, independence and objectivity of the Valuer;
- assessing the valuation methodology used by the Valuer and the appropriateness of the key bases and assumptions used in the profit forecast, including future growth rates and discount rates, and discussing these bases and assumptions with the management and the Valuer;
- challenging the reasonableness of the key assumptions based on our knowledge of the business and industry;
- obtaining supportive evidence for the significant judgements and estimates of the valuation and the key inputs used in the valuation model; and
- checking the mathematical accuracy of the valuation.

Based on available evidence, we consider that the bases and assumptions used by management in the valuation of the unlisted AFS investment in Galaxy AMS as at the year end date were reasonable.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
<p data-bbox="161 405 810 470"><i>Fair value of unlisted AFS investment in Mountain Gold Holdings Inc. ("Mountain Gold")</i></p> <p data-bbox="161 519 810 735">The Group's unlisted AFS investment in Mountain Gold amounting to HK\$35,835,299 was measured at fair value as at 31 December 2017 and there was a revaluation loss of HK\$3,450,415 for the year then ended. The fair value was assessed by the management based on a valuation performed by the Valuer engaged by the Group.</p> <p data-bbox="161 778 810 922">The valuation of the unlisted AFS investment in Mountain Gold involved significant judgements and estimates, including the determination of valuation methodology and the selection of different inputs to the valuation model.</p> <p data-bbox="161 965 810 1144">Considering the significant judgements and estimation elements involved in the determination of the fair value and the financial impacts it brings to the consolidated financial statements, we have identified the valuation as a key audit matter.</p>	<p data-bbox="831 519 1471 620">Our procedures in relation to the valuation assessment of the unlisted AFS investment in Mountain Gold included the following:</p> <ul data-bbox="831 664 1471 1526" style="list-style-type: none"> <li data-bbox="831 664 1471 735">– assessing the competence, capabilities, independence and objectivity of the Valuer; <li data-bbox="831 778 1471 1037">– assessing the valuation methodology used by the valuer and the appropriateness of the key bases and assumptions adopted in the valuation, including recent sales or offerings of comparable mining properties, validity of the exploration and mining licenses and spot gold price etc., and discussing these bases and assumptions with the management and the valuer; <li data-bbox="831 1080 1471 1181">– challenging the reasonableness of the key bases and assumptions based on our knowledge of the business and industry; <li data-bbox="831 1224 1471 1295">– assessing the validity of the licenses for the mining operations; <li data-bbox="831 1338 1471 1440">– obtaining supportive evidence for the significant judgements and estimates of the valuation and the key inputs used in the valuation model; and <li data-bbox="831 1483 1471 1526">– checking the mathematical accuracy of the valuation. <p data-bbox="831 1569 1471 1701">Based on available evidence, we consider that the bases and assumptions used by management in the valuation of the unlisted AFS investment in Mountain Gold as at the year end date were reasonable.</p>

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

HLM CPA Limited

Certified Public Accountants

Yuen Suk Ching

Practising Certificate Number P1107

Hong Kong

21 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Notes	2017 HK\$	2016 HK\$
Revenue	7	12,563	572,162
Net realised gain on disposals of available-for-sale financial assets		–	38,435,795
Net realised gain (loss) on disposals of financial assets at fair value through profit or loss		2,201,830	(16,168,562)
Net realised loss on settlement of futures contracts		(12,145,439)	–
Net unrealised loss on financial assets at fair value through profit or loss		(41,183,353)	(55,550,058)
		(51,114,399)	(32,710,663)
Net (loss) gain on disposals of subsidiaries/deregistration of subsidiaries	32	(10,478,016)	225,905
Impairment loss on prepayments and deposits		–	(10,000,000)
Administrative expenses		(84,265,958)	(78,799,333)
Finance costs	9	(9,218,838)	(2,164,185)
Loss before tax	10	(155,077,211)	(123,448,276)
Income tax expense	11	–	–
Loss for the year attributable to owners of the Company		(155,077,211)	(123,448,276)
Loss per share	14		
–Basic (HK cents per share)		(13.09)	(10.99)
–Diluted (HK cents per share)		(13.09)	(10.99)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017 HK\$	2016 HK\$
Loss for the year attributable to owners of the Company	(155,077,211)	(123,448,276)
Other comprehensive income (expenses):		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	7,130	32,433
Net loss arising on revaluation of available-for-sale financial assets	(13,193,675)	(30,986,420)
Reclassification of investment revaluation reserve upon disposals of subsidiaries	10,783,505	–
Reclassification of investment revaluation reserve upon disposals of available-for-sale financial assets	–	(33,207,445)
Other comprehensive expenses for the year, net of tax	(2,403,040)	(64,161,432)
Total comprehensive expenses attributable to owners of the Company	(157,480,251)	(187,609,708)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 HK\$	2016 HK\$
Non-current assets			
Property, plant and equipment	15	12,898,416	3,012,037
Intangible assets	16	10,228,403	3,612,279
Available-for-sale financial assets	17	43,175,238	58,412,214
Rental deposit	18	4,655,471	4,655,471
		70,957,528	69,692,001
Current assets			
Prepayments, deposits and other receivables	18	32,530,227	15,358,050
Financial assets at fair value through profit or loss	19	40,434,884	46,812,600
Cash and cash equivalents	20	138,446,606	17,170,079
		211,411,717	79,340,729
Current liabilities			
Accruals and other payables	21	6,418,654	2,222,672
Borrowings	22	122,790,000	3,000,000
		129,208,654	5,222,672
Net current assets		82,203,063	74,118,057
Total assets less current liabilities		153,160,591	143,810,058

	Notes	2017 HK\$	2016 HK\$
Non-current liabilities			
Borrowings	22	107,611,743	42,193,144
Advance from a shareholder	23	–	26,318,619
		107,611,743	68,511,763
Net assets			
		45,548,848	75,298,295
Capital and reserves			
Share capital	24	60,886,100	55,351,000
Reserves		(15,337,252)	19,947,295
Total equity			
		45,548,848	75,298,295
Net asset value per share	14	0.04	0.07

The consolidated financial statements on pages 48 to 119 were approved and authorised for issue by the Board of Directors on 21 March 2018 and are signed on its behalf by:

Luk Hong Man, Hammond
Executive Director

Zhang Xi
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital	Share premium	Exchange reserve	Share option reserve	Capital reserve	Investment revaluation reserve	Accumulated losses	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	
At 1 January 2016	55,351,000	326,543,395	(23,919)	2,300,263	-	31,654,334	(171,508,070)	244,317,003
Loss for the year	-	-	-	-	-	-	(123,448,276)	(123,448,276)
Other comprehensive income (expenses) for the year:								
Exchange differences arising on translation of a foreign operation	-	-	32,433	-	-	-	-	32,433
Net loss arising on revaluation of available-for-sale financial assets	-	-	-	-	-	(30,986,420)	-	(30,986,420)
Reclassification of investment revaluation reserve upon disposals of available-for-sale financial assets	-	-	-	-	-	(33,207,445)	-	(33,207,445)
Total comprehensive income (expenses) for the year	-	-	32,433	-	-	(64,193,865)	(123,448,276)	(187,609,708)
Recognition of equity-settled share-based payments	-	-	-	18,591,000	-	-	-	18,591,000
Share options lapsed	-	-	-	(1,758,654)	-	-	1,758,654	-
At 31 December 2016 and 1 January 2017	55,351,000	326,543,395	8,514	19,132,609	-	(32,539,531)	(293,197,692)	75,298,295
Loss for the year	-	-	-	-	-	-	(155,077,211)	(155,077,211)
Other comprehensive income (expenses) for the year:								
Exchange differences arising on translation of foreign operations	-	-	7,130	-	-	-	-	7,130
Net loss arising on revaluation of available-for-sale financial assets	-	-	-	-	-	(13,193,675)	-	(13,193,675)
Reclassification of investment revaluation reserve upon disposals of subsidiaries	-	-	-	-	-	10,783,505	-	10,783,505
Total comprehensive income (expenses) for the year	-	-	7,130	-	-	(2,410,170)	(155,077,211)	(157,480,251)
Issue of shares under the open offer	5,535,100	56,458,020	-	-	-	-	-	61,993,120
Share issue expenses	-	(750,000)	-	-	-	-	-	(750,000)
Waiver of advances from a shareholder	-	-	-	-	65,157,684	-	-	65,157,684
Recognition of equity-settled share-based payments	-	-	-	1,330,000	-	-	-	1,330,000
Share options lapsed	-	-	-	(10,737,055)	-	-	10,737,055	-
At 31 December 2017	60,886,100	382,251,415	15,644	9,725,554	65,157,684	(34,949,701)	(437,537,848)	45,548,848

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 HK\$	2016 HK\$
Operating activities			
Loss for the year		(155,077,211)	(123,448,276)
Adjustments for:			
Depreciation of property, plant and equipment	15	4,309,082	1,018,887
Impairment loss on prepayments and deposits		–	10,000,000
Interest income		(12,563)	(572,162)
Interest expense		9,218,838	2,164,185
Net loss (gain) on disposals of subsidiaries/deregistration of subsidiaries	32	10,478,016	(225,905)
Loss on property, plant and equipment written-off		984,181	36,384
Net realised gain on disposals of available-for-sale financial assets		–	(38,435,795)
Net realised (gain) loss on disposals of financial assets at fair value through profit or loss		(2,201,830)	16,168,562
Net realised loss on settlement of futures contracts		12,145,439	–
Net unrealised loss on financial assets at fair value through profit or loss		41,183,353	55,550,058
Equity-settled share-based payments		1,330,000	18,591,000
Operating cash flows before movements in working capital		(77,642,695)	(59,153,062)
Increase in prepayments, deposits and other receivables		(18,050,972)	(9,333,109)
Increase (decrease) in accruals and other payables		1,511,368	(88,062)
Proceeds on disposals of financial assets at fair value through profit or loss		47,254,892	11,688,990
Proceeds on disposals of available-for-sale financial assets		–	97,686,950
Purchase of financial assets at fair value through profit or loss		(88,247,799)	(79,252,130)
Purchase of available-for-sale financial assets		(117)	–
Net cash outflow from settlement of futures contracts		(12,145,439)	–
Cash used in operations		(147,320,762)	(38,450,423)
Interest paid		(6,479,488)	(2,795,147)
Net cash used in operating activities		(153,800,250)	(41,245,570)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 HK\$	2016 HK\$
Investing activities			
Interest received		12,563	572,162
Purchase of property, plant and equipment	15	(15,179,642)	(1,879,823)
Net cash outflow arising from acquisition of a subsidiary	31	(6,679,458)	(3,612,279)
Net cash inflow from disposal of subsidiaries	32	11,736,822	1,080
Net cash used in investing activities		(10,109,715)	(4,918,860)
Financing activities			
Proceeds from issue of shares		61,243,120	–
Proceeds from issue of interest-bearing bonds		229,097,177	3,000,000
Repayments of interest-bearing bonds		(54,000,000)	–
Proceeds from issue of other loans		27,500,000	–
Repayments of other loans		(17,500,000)	–
Advance from a shareholder		38,839,065	26,318,619
Net cash generated from financing activities		285,179,362	29,318,619
Net increase (decrease) in cash and cash equivalents		121,269,397	(16,845,811)
Effect of foreign exchange rate changes		7,130	32,433
Cash and cash equivalents at the beginning of year		17,170,079	33,983,457
Cash and cash equivalents at end of the year			
Represented by cash at bank and in hand	20	138,446,606	17,170,079

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL INFORMATION

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares have been listed on the Stock Exchange of Hong Kong Limited (“Stock Exchange”) since 2 January 2002. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section in the annual report.

The principal activities of the Company and its subsidiaries (the “Group”) are investing in listed and unlisted securities. The principal activities of its subsidiaries are set out in note 35 to the consolidated financial statements.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

The application of these amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

New and amendments to HKFRSs in issue but not yet effective

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2017 and which have not been early adopted in these financial statements.

HKFRS 9 (2014)	Financial instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contracts ⁵
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 & HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 15	Clarifications to HKFRS 15 ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 Cycle ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle ²
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ²
Amendments to HKAS 40	Investment Property ¹
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments ²

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

⁵ Effective for annual periods beginning on or after 1 January 2021

Except as described below, the Directors of the Company considered that the application of these new and amendments to HKFRSs and Interpretations are unlikely to have a material impact on the Group’s financial position and performance as well as the financial statements disclosures in the future.

HKFRS 9 Financial Instruments

HKFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition and, in November 2013, to include new requirements for general hedge accounting. HKFRS 9 was further revised in July 2014 mainly to include impairment requirements for financial assets and limited amendments to the classification and measurement requirements by introducing a fair value through other comprehensive income (“FVTOCI”) measurement category for certain simple debt instruments.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

New and amendments to HKFRSs in issue but not yet effective (continued)

HKFRS 9 *Financial Instruments* (continued)

Key requirements of HKFRS 9:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model which objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model which objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an “economic relationship”. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

Based on an analysis of the Group’s financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the Directors of the Company have performed a preliminary assessment of the impact of HKFRS 9 to the Group’s consolidated financial statements. All financial assets and financial liabilities will continue to be measured on the same basis as is currently adopted under HKAS 39.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

New and amendments to HKFRSs in issue but not yet effective (continued)

HKFRS 9 Financial Instruments (continued)

In general, the Directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier recognition of credit losses for the respective items and are currently assessing the potential impact.

As facts and circumstances may change during the period leading up to the initial date of application of HKFRS 9, which is expected to be 1 January 2018 and since the Group does not intend to early apply this standard, the assessment of the potential impact is subject to change.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a single comprehensive model for entities to account for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract;
5. Recognise revenue when or as the entity satisfies a performance obligation.

Under HKFRS 15, an entity recognises revenue when or as a performance obligation is satisfied, that is, when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required.

In April 2016, Clarifications to HKFRS 15 were issued in relation to the identification of performance obligations, principal versus agent considerations, as well as licencing application guidance.

Based on preliminary analysis, the Directors of the Company anticipate that the adoption of HKFRS 15 in the future is unlikely to have a significant impact on revenue recognition but will result in more disclosures.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

New and amendments to HKFRSs in issue but not yet effective (continued)

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede the current lease guidance including HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions between operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees (that is, all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date.

Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under HKAS 17 are presented as operating cash flows; whereas under HKFRS 16, lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

HKFRS 16 will primarily affect the Group’s accounting as lessee of leases for property, plant and equipment which are currently classified as operating leases. The application of HKFRS 16 is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of profit or loss and other comprehensive income over the period of the lease.

As disclosed in note 29, at 31 December 2017, the Group’s future minimum lease payments under non-cancellable operating leases amount to HK\$15,229,137 for leased properties, the majority of which is payable between one year and two years after the reporting date. A portion of this amount may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted.

The Group is considering whether to adopt HKFRS 16 before its effective date of 1 January 2019. However, early adoption of HKFRS 16 is only permitted if this is no earlier than the adoption of HKFRS 15. It is therefore unlikely that HKFRS 16 will be adopted before the effective date of HKFRS 15, being 1 January 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for assets, goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The significant accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company, its subsidiaries and entities (including structured entities) controlled by the Company. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to the financial assets and financial liabilities at their respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is recognised using the effective interest rate, is accrued on time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

Property, plant and equipment including leasehold improvements, office equipment and motor vehicles held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Separately acquired intangible assets are shown at historical cost. Intangible assets acquired in a business combination are recognised at fair value at the acquisition date. Intangible assets that have indefinite useful lives are not subject to amortisation, but are tested at least annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Otherwise, the amortisation is calculated using the straight-line method to reduce their costs to their residual values over their estimated useful lives.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Impairment of non-financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its non-financial assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is any indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case, the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund ("MPF") Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees (including directors)

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "loss before tax" as reported in the consolidated statement of profit or loss because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into the following specified categories: (i) financial assets at fair value through profit or loss ("FVTPL"), (ii) available-for-sale ("AFS") financial assets and (iii) loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading and (ii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at FVTPL (continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets. Fair value is determined in the manner described in Note 6 to the consolidated financial statements.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL. The Group designated certain items as AFS financial assets on initial recognition of those items.

Equity securities held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss of financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including rental deposit, financial assets included in prepayments, deposits and other receivables and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets with the exception of other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When other receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction cost. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings together with any interest and fee payable, using the effective interest method.

Other financial liabilities

The Group's other financial liabilities (including accruals and other payables, borrowings and advance from a shareholder) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Due from and due to brokers

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered at the end of the reporting period respectively.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks or other financial institutions and short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and having been within three months of maturing at acquisition.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at bank, including fixed deposits, which are not restricted to use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A related party is a person or an entity that is related to the Group.

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of the parent of the Group.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) both entities are joint ventures of the same third party.
 - (iv) one entity is a joint venture of a third entity and other entity is an associate of the third entity.
 - (v) the entity is a post-employment benefit plan for the benefit of employees of the Group or an entity related to the Group.
 - (vi) the entity is controlled or jointly controlled by a person identified in (a).
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) the entity or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity including:

- (i) the person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the Directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The followings are the critical judgements, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effects on the amounts recognised in the consolidated financial statements.

Useful lives of property, plant and equipment

The Group depreciates property, plant and equipment over their estimated useful life after taking into account of their estimated residual values, using the straight-line method. The estimated useful life reflects the Directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the amounts that the Directors estimate that the Group would currently obtain from the disposal of the assets, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Fair value of unlisted equity securities

In estimating the fair value of the Group's unlisted equity securities which are classified as available-for-sale financial assets, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages independent qualified valuers to perform the valuation of the Group's unlisted available-for-sale financial assets. At the end of each reporting period, the management of the Group works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurement. The Group will first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, the Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the Board of Directors of the Company. Information about the valuation techniques and inputs used in determining the fair value of the Group's unlisted equity securities are disclosed in Note 6 to the consolidated financial statements.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from that of the previous year.

The capital structure of the Group consists of debt, which includes the borrowings and advance from a shareholder disclosed in notes 22 and 23 respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Directors of the Company review the capital structure on a regular basis. As part of this review, the Directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts.

6. FINANCIAL INSTRUMENTS**(a) Categories of financial instruments**

The table below provided a reconciliation of the line items in the statement of financial position to the categories of financial instruments.

	2017	2016
	HK\$	HK\$
Financial assets		
Financial assets at FVTPL	40,434,884	46,812,600
AFS financial assets	43,175,238	58,412,214
Loan and receivables		
– Rental deposits	4,655,471	4,655,471
– Financial assets included in prepayments, deposits and other receivables	32,160,433	2,673,126
– Cash and cash equivalents	138,446,606	17,170,079
	258,872,632	129,723,490
Financial liabilities at amortised cost		
– Accruals and other payables	6,418,654	2,222,672
– Borrowings	230,401,743	45,193,144
– Advance from a shareholder	–	26,318,619
	236,820,397	73,734,435

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

6. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies

(i) Equity price risk

The Group is exposed to equity price risk mainly through its investments in listed and unlisted equity securities. The Group's strategy for the management of market risk is driven by the Group's investment objective. The Group's market risk is managed by the Board of Directors in accordance with policies and procedures in place. The Group's market positions are monitored on a monthly basis by the Board of Directors, and the investments in equity of other entities are Hong Kong listed financial assets. Decisions to buy or sell financial assets are based on daily monitoring of the performance of individual financial assets compared to that of the relevant stock market index and other industry indicators, as well as the Group's liquidity needs. To manage its price risk arising from the financial assets, the Group maintains a portfolio of diversified investments in terms of industry distribution such as manufacturing and financial services. In addition, the Group's management monitors the price risk and will consider hedging the risk exposure if necessary.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to financial assets price risk at the reporting date. For sensitivity analysis purpose, the sensitivity rate remained at 15% in the current year.

If financial assets prices had been 15% higher/lower (2016: 15%), loss for the year ended 31 December 2017 would decrease/increase by HK\$6,065,233 (2016: HK7,021,890) which is mainly due to the changes in fair value of financial assets designated as held for trading. Also, if the fair value of the AFS financial assets had increased/decreased by 15% (2016: 15%) and all other variables were held constant, the investment revaluation reserve would increase/decrease by HK\$6,453,795 (2016: HK\$8,761,832).

(ii) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Group. Financial assets which potentially subject the Group to concentrations of credit risk consist principally of AFS financial assets, financial assets at FVTPL and cash and cash equivalents.

The Group limits its exposure to credit risk by transacting the majority of its securities and contractual commitment activities with broker-dealers, banks and regulated exchanges with high credit ratings which the Group considers to be well established. All transactions in listed securities are settled/paid for upon delivery using approved and reputable brokers. The risk of default is considered minimal, as delivery of securities sold is only made when the broker has received payment. Payment is made on a purchase only when the securities have been received by broker.

The credit risk on liquid funds is limited because the counterparties are banks or financial institutions with high credit ratings assigned by international credit-rating agencies.

6. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

(iii) Liquidity risk

Liquidity risk is the risk that the Group may not be able to generate sufficient cash resources to settle its obligations in full as they fall due. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group's listed securities are considered readily realisable, as all such securities are listed on the Stock Exchange.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on contractual undiscounted payments, was as follows:

	On demand/ within 12 months HK\$	The two to five years HK\$	More than five years HK\$	Undiscounted cash flow HK\$	Carrying amounts HK\$
2017					
Non-derivative financial liabilities					
Accruals and other payables	6,418,654	–	–	6,418,654	6,418,654
Borrowings	122,790,000	56,300,000	52,500,000	231,590,000	230,401,743
	129,208,654	56,300,000	52,500,000	238,008,654	236,820,397
2016					
Non-derivative financial liabilities					
Accruals and other payables	2,222,672	–	–	2,222,672	2,222,672
Advance from a shareholder	–	26,318,619	–	26,318,619	26,318,619
Borrowings	3,000,000	–	42,500,000	45,500,000	45,193,144
	5,222,672	26,318,619	42,500,000	74,041,291	73,734,435

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

6. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

(iv) Interest rate risk

The Group's income and operating cash flow are substantially independent of changes in market interest rates.

The Group's exposure to risk of changes in market interest rates primarily related to the Group's interest-bearing bank deposits with floating rates.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points (2016: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible changes in interest rates.

If interest rates had been 100 basis points (2016: 100 basis points) higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2017 would decrease/increase by HK\$1,384,151 (2016: HK\$170,753). This is mainly attributable to the Group's exposure to interest rates on its interest-bearing bank deposits.

(v) Foreign currency risk

The functional currency of the Group is HK\$ in which most of the transactions are denominated. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB. Foreign currency risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group currently does not have any foreign currency hedging policy. However, the management will closely monitor foreign exchange exposure and will consider hedging its foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets at the reporting date are as follows:

	ASSETS	
	2017 HK\$	2016 HK\$
Renminbi ("RMB")	26,393,492	78,881
United States dollars ("USD")	4,671	4,650

Sensitivity analysis

The following table shows the sensitivity analysis of a 5% increase/decrease in RMB against HK\$ and USD against HK\$, the effects in loss for the year are as follow:

	IMPACT OF USD		IMPACT OF RMB	
	2017 HK\$	2016 HK\$	2017 HK\$	2016 HK\$
Decrease/increase in loss for the year	234	232	1,318,889	1,405

6. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments

Fair value of the Group's financial instruments that are measured at fair value on a recurring basis

Some of the Group's financial assets and liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined, as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
At 31 December 2017				
AFS financial assets				
– Unlisted equity securities (note b)	–	–	43,025,299	43,025,299
Financial assets at FVTPL				
– Listed equity securities (note a)	34,309,292	–	–	34,309,292
– Unlisted option contracts (note c)	–	6,125,592	–	6,125,592
	34,309,292	6,125,592	–	40,434,884
Total	34,309,292	6,125,592	43,025,299	83,460,183
At 31 December 2016				
AFS financial assets				
– Listed equity securities (note a)	3,916,500	–	–	3,916,500
– Unlisted equity securities (note b)	–	–	54,495,714	54,495,714
	3,916,500	–	54,495,714	58,412,214
Financial assets at FVTPL				
– Listed equity securities (note a)	46,812,600	–	–	46,812,600
Total	50,729,100	–	54,495,714	105,224,814

Note:

- (a) The fair value of listed equity securities classified as Level 1 was determined by the closing price quoted in an active market.
- (b) The fair value of unlisted equity securities classified as Level 3 was determined by management's valuation assessment with reference to the valuation reports provided by respective independent valuers.
- (c) The fair value of unlisted option contracts are measured using valuation technique in which all significant inputs are based on observable market data.

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For the year ended 31 December 2017

6. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments (continued)

Fair value of the Group's financial instruments that are measured at fair value on a recurring basis (continued)

Note: (continued)

The following table summarises the quantitative information about the significant unobservable input used in Level 3 fair value measurement and the valuation techniques adopted.

	2017 HK\$	2016 HK\$	Fair value hierarchy	Valuation technique(s)	Significant unobservable inputs	Range	Relationship of unobservable inputs to fair value
AFS financial assets							
Unlisted equity securities in Galaxy Automotive MS Inc.	7,190,000	15,210,000	Level 3	Income approach	Free cash flow	N/A	The higher the free cash flow, the higher the fair value
					Discount rate	13.2%	The higher the discount rate, the lower the fair value
					Discount for lack of marketability	11.4%	The higher the discount for lack of marketability, the lower the fair value
Unlisted equity securities in Mountain Gold Holdings Inc.	35,835,299	39,285,714	Level 3	Market approach	Spot gold price	US\$1,307/oz	The higher the gold price, the higher the fair value

6. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value measurements of financial instruments *(continued)*

Fair value of the Group's financial instruments that are measured at fair value on a recurring basis *(continued)*

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) are as follows:

	Unlisted AFS equity securities HK\$
At 1 January 2016	68,137,634
Fair value loss recognised	(13,641,920)
31 December 2016 and 1 January 2017	54,495,714
Fair value loss recognised	(11,470,415)
31 December 2017	43,025,299

During the years ended 31 December 2017 and 2016, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

(d) Fair value of financial instruments carried at amortised cost

The Directors of the Company consider the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. REVENUE

Revenue represents interest income from banks and financial institutions and AFS financial assets for the years. An analysis of the Group's revenue for the years is as follows:

	2017 HK\$	2016 HK\$
Interest income from:		
Deposits in banks and financial institutions	12,563	11,568
AFS financial assets	-	560,594
	12,563	572,162

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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8. SEGMENT INFORMATION

For the years ended 31 December 2017 and 2016, the Group's revenue was mainly interest income from banks and financial institutions and AFS financial assets. The Directors consider that these activities constitute one business segment since these transactions are subject to common risks and returns. Given the nature of the Group's operation is investment holding, it is not considered meaningful to provide a business segment analysis of operating profits. The Group's segment revenue, assets and liabilities for the year, analysed by geographical markets, are as follows:

	Hong Kong		PRC		Consolidated	
	2017 HK\$	2016 HK\$	2017 HK\$	2016 HK\$	2017 HK\$	2016 HK\$
Segment revenue:						
Interest income from deposits in banks and financial institutions	1,228	11,568	11,335	–	12,563	11,568
Interest income from AFS financial assets	–	–	–	560,594	–	560,594
	1,228	11,568	11,335	560,594	12,563	572,162
Non-current assets*	23,126,819	6,624,316	–	–	23,126,819	6,624,316
Total assets	220,156,173	109,569,382	62,213,072	39,463,348	282,369,245	149,032,730
Total liabilities	236,819,236	73,734,003	1,161	432	236,820,397	73,734,435
Other segment information:						
Additions to property, plant and equipment	15,179,642	1,879,823	–	–	15,179,642	1,879,823
Additions to intangible assets	6,616,124	3,612,279	–	–	6,616,124	3,612,279

* The non-current assets information above is based on the locations of the assets and excluded AFS financial assets and rental deposit.

Given that the nature of the Group's operation is investment holding, there was no information regarding major customers as determined by the Group.

9. FINANCE COSTS

	2017 HK\$	2016 HK\$
Interest expenses on:		
Bank and broker accounts overdrafts	–	1
Interest-bearing loan notes (note 22(a))	2,166,246	2,164,184
Interest-bearing bonds (note 22(b))	6,265,341	–
Interest expenses on other loans	787,251	–
	9,218,838	2,164,185

10. LOSS BEFORE TAX

	2017 HK\$	2016 HK\$
The Group's loss before tax has been arrived at after charging the following items:		
Directors' emoluments (note 12):		
Fees	3,910,667	4,094,246
Other emoluments	2,801,725	3,271,253
Discretionary bonuses	895,000	–
Retirement benefits scheme contributions	64,390	65,161
Equity-settled share-based payments	1,330,000	12,949,000
Staff costs:		
Basic salaries and allowances	8,397,427	4,776,936
Retirement benefits scheme contributions	275,237	163,184
Equity-settled share-based payments	–	5,642,000
Total staff costs (including Directors' emoluments)	17,674,446	30,961,780
Auditor's remuneration	680,000	690,000
Depreciation of property, plant and equipment	4,309,082	1,018,887
Impairment loss on prepayments and deposits	–	10,000,000
Loss on property, plant and equipment written-off	984,181	36,384
Net foreign exchange losses	340,736	688,294
Operating lease charges in respect of office premises	11,332,540	6,779,659

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11. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

No Hong Kong Profits Tax has been provided as the Group had no assessable profits in Hong Kong for the year (2016: Nil).

Under the law of the PRC on Enterprises Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the applicable PRC EIT rate of the Group's PRC subsidiaries is 25% for both years.

The tax expense for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss as follows:

	2017	2016
	HK\$	HK\$
Loss before tax	(155,077,211)	(123,448,276)
Tax at the applicable statutory tax rates	(26,692,152)	(20,368,945)
Tax effect of income not taxable for tax purpose	(53,562)	(152,209)
Tax effect of expenses not deductible for tax purpose	16,538,136	10,734,624
Tax effect of temporary differences not recognised	(199,881)	86,519
Tax effect of tax losses not recognised	10,407,459	9,700,011
Tax expense for the year	-	-

No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. The tax losses do not have any expiry date under the current tax legislation and may be carried forward indefinitely. The Group had no material unprovided deferred tax liabilities at the end of the reporting period (2016: Nil).

12. DIRECTORS' REMUNERATION

(a) Directors' emoluments

Directors' remuneration for the year, disclosed pursuant to applicable Listing Rules, the Hong Kong Companies Ordinance and Companies (Disclosure of information about benefits of directors) Regulation (Cap. 622G), is as follow:

	2017					Total HK\$
	Directors' fees HK\$	Salaries, allowances and benefits in kind HK\$	Discretionary bonuses HK\$	Retirement benefits scheme contributions HK\$	Equity- settled share-based payments HK\$	
<i>Executive Directors</i>						
Luk Hong Man, Hammond	-	1,400,863	305,000	32,395	-	1,738,258
Zhang Xi	-	1,400,862	305,000	31,995	-	1,737,857
<i>Non-executive Directors</i>						
Sui Guangyi (Chairman)	960,000	-	80,000	-	-	1,040,000
Wang Mengtao	960,000	-	80,000	-	-	1,040,000
Leung Ka Fai	960,000	-	80,000	-	-	1,040,000
Ma Xiaoqiu (note 15)	490,667	-	-	-	1,330,000	1,820,667
<i>Independent non-executive Directors</i>						
Jing Siyuan	180,000	-	15,000	-	-	195,000
Zhang Aimin	180,000	-	15,000	-	-	195,000
Zhang Qiang	180,000	-	15,000	-	-	195,000
Leung Ka Fai (note 4)	-	-	-	-	-	-
	3,910,667	2,801,725	895,000	64,390	1,330,000	9,001,782

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For the year ended 31 December 2017

12. DIRECTORS' REMUNERATION (continued)

(a) Directors' emoluments (continued)

	Directors' fees	Salaries, allowances and benefits in kind	2016		Equity-settled share-based payments	Total
			Discretionary bonuses	Retirement benefits scheme contributions		
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<i>Executive Directors</i>						
Luk Hong Man, Hammond (note 1)	-	1,595,093	-	32,465	2,991,258	4,618,816
Zhang Xi	-	1,595,093	-	32,696	2,991,258	4,619,047
Ye Yinggang (note 2)	-	81,067	-	-	-	81,067
<i>Non-executive Directors</i>						
Sui Guangyi (Chairman)	960,000	-	-	-	319,297	1,279,297
Wang Mengtao (note 3)	478,194	-	-	-	2,844,648	3,322,842
Leung Ka Fai (note 4)	162,581	-	-	-	2,844,648	3,007,229
Yao Yuan (note 5)	611,613	-	-	-	-	611,613
Shi Minqiang (note 5)	611,613	-	-	-	-	611,613
Yao Zhixiang (note 5)	611,613	-	-	-	-	611,613
<i>Independent non-executive Directors</i>						
Jing Siyuan (note 6)	112,258	-	-	-	319,297	431,555
Zhang Aimin (note 7)	79,839	-	-	-	319,297	399,136
Zhang Qiang (note 8)	30,000	-	-	-	319,297	349,297
Zhang Qi (note 9)	15,000	-	-	-	-	15,000
Luo Ji (note 10)	34,810	-	-	-	-	34,810
Wong Chung Kin, Quentin (note 11)	67,742	-	-	-	-	67,742
Leung Po Hon (note 12)	63,871	-	-	-	-	63,871
Guo Miao (note 13)	46,935	-	-	-	-	46,935
Leung Ka Fai (note 4)	59,177	-	-	-	-	59,177
Li Jiangtao (note 14)	149,000	-	-	-	-	149,000
	4,094,246	3,271,253	-	65,161	12,949,000	20,379,660

Notes:

- (1) Removed on 20 July 2016 and re-appointed on 21 July 2016
- (2) Resigned on 2 June 2016
- (3) Appointed on 22 April 2016, removed on 20 July 2016 and re-appointed on 31 October 2016

12. DIRECTORS' REMUNERATION *(continued)*

(a) Directors' emoluments *(continued)*

Notes: *(continued)*

- (4) Appointed as an independent non-executive director on 22 April 2016 and removed on 20 July 2016 and reappointed as a non-executive director on 31 October 2016
- (5) Removed on 20 July 2016
- (6) Appointed on 17 May 2016
- (7) Appointed on 22 July 2016
- (8) Appointed on 1 November 2016
- (9) Resigned on 30 January 2016
- (10) Appointed on 12 February 2016 and resigned on 22 April 2016
- (11) Resigned on 17 May 2016
- (12) Resigned on 9 May 2016
- (13) Appointed on 17 May 2016 and removed on 20 July 2016
- (14) Removed on 28 September 2016
- (15) Appointed on 27 June 2017

The Executive Directors' emoluments shown above include their services in connection with the management of the affairs of the Company and the Group.

The fees paid to non-executive and independent non-executive Directors shown above were mainly for their services as directors of the Company.

Mr. Luk Hong Man, Hammond is also chief executive officer and Mr. Zhang Xi is also chief investment officer of the Company and their emoluments disclosed above include those services rendered by them.

There was no arrangement under which a director or a chief executive, waived or agreed to waive any remuneration during the years.

During the year, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors, nor any are payable (2016: Nil). No consideration was provided to or receivable by third parties for making available directors' services (2016: Nil). There are no loans, quasi-loans and other dealing arrangements in favour of the directors, their controlled body corporates and connected entities (2016: Nil).

No directors of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year (2016: Nil).

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12. DIRECTORS' REMUNERATION (continued)

(b) Five highest paid employees

Of the five individuals with the highest emoluments in the Group, four (2016: four) were Directors of the Company whose emoluments are included in the disclosures in note 12(a) above. The emoluments of the remaining one (2016: one) employee were as follows:

	2017	2016
	HK\$	HK\$
Basic salaries and other benefits	917,368	1,053,500
Discretionary bonuses	213,500	–
Retirement benefits scheme contributions	18,000	18,000
Equity-settled share-based payments	–	1,998,208
	1,148,868	3,069,708

The emoluments of the five individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2017	2016
HK\$Nil – HK\$1,000,000	–	–
HK\$1,000,001 – HK\$3,000,000	5	–
HK\$3,000,001 – HK\$6,000,000	–	5

During the years ended 31 December 2017 and 2016, no remunerations were paid by the Group to any of the Directors of the Company or the five highest paid individuals of the Group (including Directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

13. DIVIDEND

No dividend was paid or proposed during the year, nor has any dividend been proposed since the end of the reporting period (2016: Nil).

14. NET ASSET VALUE PER SHARE AND LOSS PER SHARE

Net asset value per share

The net asset value per share is calculated by dividing the net assets included in the consolidated statement of financial position of HK\$45,548,848 (2016: HK\$75,298,295) by the number of shares in issue as at 31 December 2017, being 1,217,722,000 (2016: 1,107,020,000).

Loss per share

The calculation of the basic and diluted loss per share is based on the loss for the year attributable to owners of the Company of HK\$155,077,211 (2016: HK\$123,448,276) and weighted average number of 1,184,587,223 (2016: 1,123,625,300 adjusted) ordinary shares in issue during the year. The weighted average number of ordinary shares for the years ended 31 December 2017 and 2016 for the purpose of calculating basic loss per share amount has been adjusted for the open offer on the basis of one offer share for every existing ten shares held on the record date.

For the years ended 31 December 2017 and 2016, the computation of diluted loss per share has not assumed the conversion of the Company's outstanding share options since they are anti-dilutive for the years ended 31 December 2017 and 2016. Accordingly, diluted loss per share is the same as basic loss per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Office equipment	Motor vehicles	Total
	HK\$	HK\$	HK\$	HK\$
COST				
At 1 January 2016	1,339,813	968,500	718,001	3,026,314
Additions	220,994	102,189	1,556,640	1,879,823
Disposals	–	(37,000)	–	(37,000)
Disposal of subsidiaries	–	–	(718,000)	(718,000)
At 31 December 2016 and at 1 January 2017	1,560,807	1,033,689	1,556,641	4,151,137
Additions	7,863,790	7,315,852	–	15,179,642
Written off	(1,339,813)	(509,028)	–	(1,848,841)
At 31 December 2017	8,084,784	7,840,513	1,556,641	17,481,938
DEPRECIATION AND IMPAIRMENT				
At 1 January 2016	139,995	64,604	59,835	264,434
Charge for the year	446,593	203,130	369,164	1,018,887
Eliminated upon disposals	–	(616)	–	(616)
Disposal of subsidiaries	–	–	(143,605)	(143,605)
At 31 December 2016 and at 1 January 2017	586,588	267,118	285,394	1,139,100
Charge for the year	2,093,367	1,904,373	311,342	4,309,082
Written off	(698,235)	(166,425)	–	(864,660)
At 31 December 2017	1,981,720	2,005,066	596,736	4,583,522
CARRYING AMOUNTS				
At 31 December 2017	6,103,064	5,835,447	959,905	12,898,416
At 31 December 2016	974,219	766,571	1,271,247	3,012,037

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	20% or over the lease term
Office equipment	20%
Motor vehicles	20%

16. INTANGIBLE ASSETS

	Cross-boundary vehicle licenses	Type 9 regulated activity license	Total
	HK\$	HK\$	HK\$
COST			
At 1 January 2016	–	–	–
Arising on acquisition of subsidiaries	3,612,279	–	3,612,279
31 December 2016 and at 1 January 2017	3,612,279	–	3,612,279
Arising on acquisition of a subsidiary	–	6,616,124	6,616,124
At 31 December 2017	3,612,279	6,616,124	10,228,403
ACCUMULATED AMORTISATION AND IMPAIRMENT			
At 1 January 2016, 31 December 2016 and at 1 January 2017	–	–	–
Amortisation	–	–	–
At 31 December 2017	–	–	–
CARRYING AMOUNTS			
At 31 December 2017	3,612,279	6,616,124	10,228,403
At 31 December 2016	3,612,279	–	3,612,279

The cross-boundary vehicle licences have a legal life of one year but are renewable every year at minimal costs. The Directors considered the Group would renew the cross-boundary vehicle licences continuously and has the ability to do so. As a result, the cross-boundary vehicle licences are considered by the Directors of the Group as having an indefinite useful life and will not be amortised.

Type 9 regulated activity licence is regarded as having indefinite useful lives and there is no foreseeable limit to the period over which they are expected to generate cash flows for the Group as it is expected that their values will not be reduced through the usage and there are no legal or similar limits on the period for their use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017	2016
	HK\$	HK\$
Listed equity securities, at fair value (note 1)		
Cost	-	12,976,745
Accumulated fair value adjustments	-	(9,060,245)
	-	3,916,500
Unlisted equity securities, at fair value (note 2)		
Cost	77,975,000	77,975,000
Accumulated fair value adjustments	(34,949,701)	(23,479,286)
	43,025,299	54,495,714
Unlisted equity securities, at cost (note 3)		
Cost	149,939	-
Less: Impairment loss	-	-
	149,939	-
Total	43,175,238	58,412,214

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

Particulars of investments in listed equity securities and unlisted equity securities held by the Group as at 31 December 2017 and 2016 disclosed pursuant to Chapter 21 of Listing Rules are as follows:

Note 1: Listed equity securities, at fair value

At 31 December 2017, there are no listed equity securities under AFS financial asset.

Name of investee companies	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost	Market value	Accumulated unrealised loss recognised	Net assets attributable to the Company	Dividend received/receivable during the year	% of gross assets of the Company
				HK\$	HK\$	HK\$	HK\$000	HK\$	

At 31 December 2016

Kingbo Strike Limited	Cayman Islands	11,190,000	1.47%	12,976,745	3,916,500	(9,060,245)	7,657	-	2.63%
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The fair value of listed equity securities are based on their closing price quoted in an active market.

Note 2: Unlisted equity securities, at fair value

Name of investee companies	Place of incorporation	Proportion of investee's capital owned	Cost	Fair value	Accumulated unrealised loss recognised	Net assets attributable to the Company	Dividend received/receivable during the year	% of gross assets of the Company
			HK\$	HK\$	HK\$	HK\$000	HK\$	

At 31 December 2017

Galaxy Automotive MS Inc.	Republic of Vanuatu	29%	27,975,000	7,190,000	(20,785,000)	1,428	-	2.55%
Mountain Gold Holdings Inc.	Republic of Vanuatu	6.4%	50,000,000	35,835,299	(14,164,701)	35,835	-	12.69%
			77,975,000	43,025,299	(34,949,701)			

At 31 December 2016

Galaxy Automotive MS Inc.	Republic of Vanuatu	29%	27,975,000	15,210,000	(12,765,000)	1,793	-	10.21%
Mountain Gold Holdings Inc.	Republic of Vanuatu	6.4%	50,000,000	39,285,714	(10,714,286)	39,286	-	26.36%
			77,975,000	54,495,714	(23,479,286)			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

Note 2: Unlisted equity securities, at fair value (continued)

Notes:

- (a) On 14 August 2015, the Group acquired 29% equity interest of Galaxy Automotive MS Inc. ("Galaxy AMS") for a consideration of HK\$27,975,000. The vendor had irrevocably and unconditionally guaranteed to the Group that audited consolidated gross profit of the Galaxy AMS for the year ended 31 December 2016 shall be no less than HK\$6,500,000 ("Guaranteed Profit").

Galaxy AMS is principally engaged in the research and development and manufacturing of high-quality auto parts as well as research and development and sales of automobile system solutions. Galaxy AMS's current sales markets include China, Taiwan, Hong Kong and Macau.

As at 31 December 2017, the Directors of the Company had performed valuation assessment on Galaxy AMS. This was done with reference to the valuation report prepared by an independent valuer using income-based approach, based on the profit forecast and financial data provided by the management of Galaxy AMS. On this basis, the Directors considered the fair value of the Group's investment in Galaxy AMS as at 31 December 2017 was HK\$7,190,000 and a fair value loss on revaluation of AFS financial assets of HK\$8,020,000 was recognised in the other comprehensive income.

On 1 March 2018, a subsidiary of the Company entered into a sale and purchase agreement with an independent third party pursuant to which the subsidiary of the Company has conditionally agreed to dispose of the entire issued share capital in Grand Dragon Investment Development Limited which is the legal and beneficial owner of the 29% equity interest in Galaxy AMS for a consideration of HK\$37,975,000.

- (b) On 19 October 2015, the Group acquired 6.4% equity interest in Mountain Gold Holdings Inc. ("Mountain Gold") at a consideration of HK\$50,000,000. Mountain Gold indirectly holds a mining licence called Jinping Country Jinchangxi-Bize Gold Mine ("Mining Licence") and an exploration licence called Jinping County Shierpan Gold Detailed Exploration Property ("Exploration Licence"), both located in Guizhou Province, the PRC, which are the sole and only assets of Mountain Gold and which are the only subjects being valued in the valuation of Mountain Gold.

As at 31 December 2017, the Directors of the Company had performed valuation assessment on its investment in Mountain Gold with reference to the valuation report by an independent valuer using market approach. The fair value of the Group's investment in Mountain Gold was valued at HK\$35,835,299 and therefore a fair value loss on revaluation of AFS financial assets of HK\$3,450,415 was recognised in the other comprehensive income.

On 1 March 2018, a subsidiary of the Company entered into a sale and purchase agreement with an independent third party pursuant to which the subsidiary of the Company has conditionally agreed to dispose of the entire issued share capital in a Radiant Top Limited which is the legal and beneficial owner of the 6.4% equity interest in Mountain Gold for a consideration of HK\$72,000,000.

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

Note 3: Unlisted equity securities, at cost

Name of an investee company	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost HK\$	Carrying amount HK\$	Accumulated impairment loss recognised HK\$
At 31 December 2017						
Unlisted equity securities						
China Investment Holdings Limited	Cayman Islands	15	15.00%	149,939	149,939	-

At 31 December 2016, there was no unlisted equity securities, at cost under AFS financial assets, held by the Group.

These unlisted equity securities do not have a quoted market price in an active market and their fair value cannot be reliably measured and therefore they are measured at cost less identified impairment loss at the end of reporting period.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 HK\$	2016 HK\$
Other prepayments	369,794	299,122
Rental and utility deposits	4,800,351	6,922,571
Investment deposits	-	6,900,000
Deposits for acquisition property, plant and equipment	-	5,485,802
Deposits for registration of new cross boundary vehicle licence	824,092	-
Due from brokers	30,616,375	134,992
Other deposits and receivables	575,086	271,034
	37,185,698	20,013,521
Portion classified as non-current assets (note a)	(4,655,471)	(4,655,471)
	32,530,227	15,358,050

Notes:

- (a) The balance represents rental deposits placed by the Group in connection with its leased premises. The relevant leases will expire after one year from the end of the respective reporting period. Therefore, the balance is classified as non-current.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivable for which there was no recent history of default.

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19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 HK\$	2016 HK\$
Financial assets designated at held for trading		
– Listed equity securities in Hong Kong (note a)	14,724,600	46,812,600
– Listed equity securities in the PRC (note a)	19,584,692	–
	34,309,292	46,812,600
Financial assets designated at FVTPL		
– Unlisted option contracts in the PRC (note b)	6,125,592	–
	40,434,884	46,812,600

Note a: Particulars of investments of listed equity securities held by the Group as at 31 December 2017 and 2016 disclosed pursuant to Chapter 21 of Listing Rules are as follows:

Name of investee companies	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost HK\$	Market value HK\$	Accumulated unrealised gain/(loss) recognised HK\$	Net assets attributable to the Company HK\$000	Dividend received/receivable during the year HK\$	% of gross assets of the Company
At 31 December 2017									
Listed equity securities in Hong Kong									
Zhidao International (Holdings) Limited (note a)									
	Cayman Islands	30,360,000	1.53%	38,248,211	14,724,600	(23,523,611)	6,827	–	5.21%
Listed equity securities in PRC									
Irico Display Devices Co., Ltd. (note b)	PRC	270,000	0.04%	2,320,906	2,337,334	16,428	616	–	0.83%
Tianma Bearing Group Co., Ltd. (note c)	PRC	800,022	0.07%	10,309,315	7,945,751	(2,363,564)	3,702	–	2.81%
Youngy Co., Ltd (note d)	PRC	240,000	0.13%	12,639,198	9,301,607	(3,337,591)	1,130	–	3.29%
				63,517,630	34,309,292	(29,208,338)			

At 31 December 2016

Equity securities listed in Hong Kong

Newtree Group Holdings Limited	Cayman Islands	5,168,000	0.22%	1,494,463	2,454,800	960,337	694	–	1.65%
Tech Pro Technology Development Limited	Cayman Islands	16,700,000	0.24%	28,337,612	3,072,800	(25,264,812)	1,907	–	2.06%
Zhidao International (Holdings) Limited	Cayman Islands	30,360,000	1.53%	38,248,211	18,519,600	(19,728,611)	7,031	–	12.43%
WLS Holdings Limited	Cayman Islands	98,980,000	0.78%	29,722,944	22,765,400	(6,957,544)	6,251	–	15.28%
				97,803,230	46,812,600	(50,990,630)			

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

Note a: *(continued)*

A brief description of the business and financial information of the listed investee companies extracted from their latest published annual reports is as follows:

Notes:

- (a) As at 31 December 2017, the Group held listed equity securities, being 30,360,000 shares or approximately 1.53% equity interest in Zhidao International (Holdings) Limited ("Zhidao"), for a consideration of HK\$38,248,211 and which is principally engaged in trading of aluminium products, supply of aluminium products in construction projects and the operation of money lending business.

For the year ended 31 March 2017, the audited consolidated loss from ordinary activities attributable to owners of Zhidao was approximately HK\$13,624,000 and the basic loss per share was HK0.69 cents. At 31 March 2017, its audited consolidated net assets value attributable to owners of Zhidao was approximately HK\$446,208,000. No dividend was received during the year.

- (b) As at 31 December 2017, the Group held listed equity securities, being 270,000 shares or approximately 0.04% equity interest in the Irico Display Devices Co., Ltd. ("Irico Display"), for a consideration of HK\$2,320,906 and which is principally engaged in development, production and sale of electronic information display devices in China and Internationally.

For the year ended 31 December 2016, the audited consolidated loss attributable to owners of Irico Display was approximately RMB272,513,000 and the basic loss per share was RMB0.37. At 31 December 2016, its audited consolidated net assets value attributable to owners of Irico Display was approximately RMB1,299,244,000. No dividend was received during the year.

- (c) As at 31 December 2017, the Group held listed equity securities, being 800,022 shares or approximately 0.07% equity interest in Tianma Bearing Group Co., Ltd. ("Tianma") for a consideration of HK\$10,309,315 and which is principally engaged in the bearing and machine tool business. Its main products include bearings, round bars, machine tools, and agricultural and pastoral products.

For the year ended 31 December 2016, the audited consolidated loss attributable to owners of Tianma was approximately RMB252,162,000 and basic loss per share was RMB0.21. At 31 December 2016, its audited consolidated net assets value attributable to owners of Tianma was approximately RMB4,462,069,000. No dividend was received during the year.

- (d) As at 31 December 2017, the Group held listed equity securities, being 240,000 shares or approximately 0.13% equity interest in Youngy Co., Ltd. ("Youngy"), for a consideration of HK\$12,639,198 and which is principally engaged in distribution and sales of heavy traffic paving asphalt as well as the sales of power battery equipment, consumer battery equipment and electronic ink screens.

For the year ended 31 December 2016, the audited consolidated profits attributable to owners of Youngy was approximately RMB5,305,000 and basic earnings per share was RMB0.02. At 31 December 2016, its audited consolidated net assets value attributable to owner of Youngy was RMB733,939,000. No dividend was received during the year.

The fair value of these listed securities are based on their closing prices quoted in an active market.

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19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Note b: Particulars of investments of unlisted option contracts held by the Group as at 31 December 2017 and 2016 disclosed pursuant to Chapter 21 of Listing Rules are as follows:

Name of unlisted option contracts	Cost HK\$	Fair value HK\$	Accumulated unrealised loss recognised HK\$
At 31 December 2017			
Unlisted option contract (399006.SZ)	11,581,386	4,748,815	(6,832,571)
Unlisted option contract (159915.SZ)	3,357,432	1,376,777	(1,980,655)
	14,938,818	6,125,592	(8,813,226)

At 31 December 2016, there was no unlisted option contract held by the Group.

The fair value of unlisted option contracts are measured using valuation technique in which the significant inputs are based on observable market data.

Financial assets at FVTPL are denominated in the following currencies:

	2017 HK\$	2016 HK\$
HKD	14,724,600	46,812,600
RMB	25,710,284	–
	40,434,884	46,812,600

20. CASH AND CASH EQUIVALENTS

	2017	2016
	HK\$	HK\$
Cash at bank and in hand	138,446,606	17,170,079

At the end of the reporting period, cash and cash equivalents comprised mainly cash on hand and in banks. Bank balances carry interest at market rates which range from 0.01% to 1% (2016: 0.01% to 1%) per annum.

Included in cash and cash equivalents in the consolidated statement of financial position are the following amounts denominated in currencies other than the functional currency of the Group entities:

	2017	2016
USD	USD603	USD600
RMB	RMB84,780	RMB25,174

21. ACCRUALS AND OTHER PAYABLES

	2017	2016
	HK\$	HK\$
Accruals	2,235,377	1,690,991
Interest payables	3,159,177	531,249
Other payables	1,024,100	432
	6,418,654	2,222,672

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22. BORROWINGS

	Notes	2017 HK\$	2016 HK\$
Interest-bearing loan notes, unsecured	(a)	42,234,394	42,193,144
Interest-bearing bonds, unsecured	(b)	178,167,349	3,000,000
Other loans, unsecured	(c)	10,000,000	–
		230,401,743	45,193,144
Less: Amount classified as current liabilities		(122,790,000)	(3,000,000)
		107,611,743	42,193,144
Borrowings classified under current liabilities, analysed by:			
Interest-bearing bonds, unsecured		112,790,000	3,000,000
Other loans, unsecured		10,000,000	–
		122,790,000	3,000,000

Notes:

(a) Interest-bearing loan notes

The Company issued unsecured interest bearing loan notes (the “Notes”) to independent private investors through a placing agent in an aggregate principal amount of HK\$30,000,000 with effective dates from 29 April 2015 and 30 April 2015 which are repayable on dates falling 8 years from the dates of issue of the Notes, which are 28 April 2023 and 29 April 2023 and a principal amount of HK\$12,500,000 with effective date from 9 September 2015 which is repayable on a date falling 8 years from the date of issue of the Notes (the “Maturity Date”). The Company has the right at any time after the second year of the issue date of the Notes to the Maturity Date to redeem the whole or part of the outstanding Notes at the redemption amount with not less than 15 business days written notice, specifying the amount to be redeemed and the date of such redemption (the “Redemption Right”). But the noteholder has no right to require the Company to redeem the Notes before the Maturity Date.

The Notes carry interest at the fixed rate of 5% per annum payable semi-annually in arrears on 31 March and 30 September in each year (“Interest Payment Date”), provided that the first Interest Payment Date shall fall on 31 March 2016 and the final repayment of the interest shall be on the Maturity Date.

On initial recognition, the Directors consider that the principal amount of the Notes approximates their fair value.

The Redemption Right is regarded as embedded derivatives in the host contract. The Redemption Right is not recognised in the consolidated financial statements since the redemption is at the discretion of the Company and the Directors consider that the probability of exercise of the Redemption Right is remote. The Directors have assessed the fair values of the Redemption Right at initial recognition and at the end of the reporting period and consider that the fair values were insignificant. Accordingly, the fair values were not accounted for in the consolidated financial statements as at 31 December 2017 and 2016.

The Notes are measured at amortised cost, using the effective interest method. The effective interest rates of the Notes range from 5.08% to 5.15%.

22. BORROWINGS (continued)

Notes: (continued)

(a) Interest-bearing loan notes (continued)

The Notes recognised in the consolidated statement of financial position of the Group are calculated as follows:

	HK\$
At January 2016	43,355,361
Effective interest expenses (note 9)	2,164,184
Interest paid/payables	(3,326,401)
	<hr/>
At 31 December 2016 and 1 January 2017	42,193,144
Effective interest expenses (note 9)	2,166,246
Interest paid/payables	(2,124,996)
	<hr/>
At 31 December 2017	42,234,394

(b) Interest-bearing bonds

During the year ended 31 December 2017, the Company has issued and repaid unsecured interest-bearing bonds with aggregate principal amounts of HK\$230,090,000 and HK\$54,000,000 (2016: HK\$3,000,000 and HK\$Nil) respectively, which bear interest ranging from 0.36% p.a. to 18% p.a. and with maturity dates from one hundred days to eight years.

The bonds recognised in the consolidated statement of financial position of the Group is calculated as follows:

	HK\$
At January 2016	–
Issued during the year	3,000,000
	<hr/>
At 31 December 2016 and 1 January 2017	3,000,000
Issued during the year, at fair value	229,095,500
Repaid during the year	(54,000,000)
Effective interest expenses (note 9)	6,265,341
Interest paid/payable	(6,193,492)
	<hr/>
At 31 December 2017	178,167,349

(c) Other loans

The Company had outstanding unsecured loans with principal amount in aggregate of HK\$10,000,000 from independent third parties, which bear interest at 1% per month and will mature within three months from the reporting date.

23. ADVANCE FROM A SHAREHOLDER

As at 31 December 2016, the advance from a shareholder of the Company was unsecured, interest-free and had no fixed term of repayment. On 23 October 2017, the shareholder has irrevocably waived its rights over the aggregate advance of HK\$65,157,684 to the Group and has confirmed that its rights over the aggregate advance have been fully and finally terminated. The amount waived was recognised and resulted in an increase in the capital reserve under equity.

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For the year ended 31 December 2017

24. SHARE CAPITAL

	Number of ordinary shares of HK\$0.05 each	Nominal value HK\$
Authorised:		
At 1 January 2016, 31 December 2016 and 31 December 2017	4,000,000,000	200,000,000
Issued and fully paid:		
At 1 January 2016, 31 December 2016 and 1 January 2017	1,107,020,000	55,351,000
Issue of shares under the Open Offer (note a)	110,702,000	5,535,100
At 31 December 2017	1,217,722,000	60,886,100

Note a:

On 26 April 2017, the Company announced that it proposed to raise not less than approximately HK\$62 million and not more than approximately HK\$66 million before expenses by issuing not less than 110,702,000 offer shares and not more than 117,792,552 offer shares at the subscription price of HK\$0.56 per offer share on the basis of one offer share for every ten existing shares held on the record date (the "Open Offer"). On 26 April 2017, the Company entered into an underwriting agreement with an underwriter (the "Underwriter") pursuant to which the Open Offer was fully underwritten by the Underwriter.

On 13 June 2017, upon the completion of the Open Offer, the Company issued 110,702,000 new ordinary shares of HK\$0.05 each at a subscription price of HK\$0.56 for a total consideration, before related expenses, of approximately HK\$62 million. Details and results of the Open Offer were set out in the Company's announcements dated 27 April 2017 and 9 May 2017 and prospectus dated 19 May 2017.

25. RESERVES OF THE COMPANY

	Share premium	Share options reserve	Capital reserve	Accumulated losses	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
At 1 January 2016	326,543,395	2,300,263	–	(163,545,488)	165,298,170
Loss and total comprehensive expenses for the year	–	–	–	(166,844,397)	(166,844,397)
Recognition of equity-settled share-based payments	–	18,591,000	–	–	18,591,000
Share options lapsed	–	(1,758,654)	–	1,758,654	–
At 31 December 2016 and at 1 January 2017	326,543,395	19,132,609	–	(328,631,231)	17,044,773
Loss and total comprehensive expenses for the year	–	–	–	(116,127,537)	(116,127,537)
Issue of shares under the open offer	56,458,020	–	–	–	56,458,020
Share issue expenses	(750,000)	–	–	–	(750,000)
Forfeiture of advances from a shareholder	–	–	26,318,619	–	26,318,619
Recognition of equity-settled share-based payments	–	1,330,000	–	–	1,330,000
Share options lapsed	–	(10,737,055)	–	10,737,055	–
At 31 December 2017	382,251,415	9,725,554	26,318,619	(434,021,713)	(15,726,125)

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For the year ended 31 December 2017

26. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 27 June 2011. The purpose of the Scheme is to enable the Company to grant options to selected participants as incentives and/or rewards for their contribution and support to the Company. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees and executives, including all the Directors of the Company and any substantial shareholders as defined in the Listing Rules to subscribe shares in the Company.

The maximum number of shares in respect of which options may be granted under the Scheme must not in aggregate exceed 332,106,000, representing 30% of the shares of the Company in issue from time to time. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 1% of the shares of the Company in issue during the twelve-month period before the date of grant without prior approval from the Company's shareholders.

Share options granted must be taken up within 21 days of the date of grant, upon payment of HK\$1 on the acceptance. Options may be exercised in accordance with the terms of the Scheme at any time during a period to be notified by the Board of Directors to each grantee but must not be exercised after the expiry of ten years from the date of grant of the option. There is no minimum period for which an option must be held or a performance target that must be achieved before an option can be exercised specified in the terms of the Scheme. However, the Board of Directors may provide restrictions on the exercise of an option during the period an option may be exercised including, if appropriate, a minimum period for which an option must be held or a performance target which must be achieved before an option can be exercised.

The exercise price is determined by the Board of Directors, and should not be less than the higher of (i) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of offer of the option which must be a business day, (ii) the average of the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer of the option, and (iii) the nominal value of the Share on the date of offer of the option.

The Scheme will remain in force for a period of 10 years commencing on 27 June 2011.

For the year ended 31 December 2017, the Company granted 1,200,000 share options with an exercise price of HK\$2.25 per share under the Share Option Scheme. For the year ended 31 December 2016, the Company granted 68,610,160 share options with an exercise price of HK\$0.82 per share under the Share Option Scheme.

26. SHARE OPTION SCHEME (continued)

The following table disclosed details of the Company's options under the Scheme held by the directors, employees and other participants and the movements during the year ended 31 December 2017.

Grantee	Date of Grant	Adjusted exercise price (Note) HK\$	Exercisable period up to	At 1 January 2017 (Note)	Granted during the year	Exercised during the year	Expired during the year	Lapsed during the year	Outstanding at 31 December 2017
<i>Executive Directors</i>									
Luk Hong Man, Hammond	17/6/2015	0.729	16/6/2025	776,597	-	-	-	-	776,597
	15/11/2016	0.808	15/11/2026	10,459,656	-	-	-	(5,159,656)	5,300,000
Zhang Xi	17/6/2015	0.729	16/6/2025	776,597	-	-	-	-	776,597
	15/11/2016	0.808	15/11/2026	10,459,656	-	-	-	(5,159,656)	5,300,000
<i>Non-executive Directors</i>									
Sui Guangyi	15/11/2016	0.808	15/11/2026	1,116,500	-	-	-	(1,116,500)	-
Leung Ka Fai	15/11/2016	0.808	15/11/2026	9,947,000	-	-	-	(6,947,000)	3,000,000
Wang Mengtao	15/11/2016	0.808	15/11/2026	9,947,000	-	-	-	(6,947,000)	3,000,000
Ma Xiaoqiu	29/8/2017	2.250	29/8/2027	-	1,200,000	-	-	-	1,200,000
<i>Independent non-executive Directors</i>									
Jing Siyuan	15/11/2016	0.808	15/11/2026	1,116,500	-	-	-	(316,500)	800,000
Zhang Aimin	15/11/2016	0.808	15/11/2026	1,116,500	-	-	-	(316,500)	800,000
Zhang Qiang	15/11/2016	0.808	15/11/2026	1,116,500	-	-	-	(316,500)	800,000
Subtotal				46,832,506	1,200,000	-	-	(26,279,312)	21,753,194
<i>Employees and other participants</i>									
	17/6/2015	0.728	16/6/2025	776,596	-	-	-	-	776,596
	15/11/2016	0.808	15/11/2026	24,360,000	-	-	-	(13,910,000)	10,450,000
Total				71,969,102	1,200,000	-	-	(40,189,312)	32,979,790

Note: The exercise price and outstanding number of share options granted in prior years have been adjusted for the effect of the Open Offer (note 24) which has become effective from 13 June 2017.

For the year ended 31 December 2017, 40,189,312 share options have lapsed, 1,200,000 share options have been granted and no options have exercised or expired under the Scheme.

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For the year ended 31 December 2017

26. SHARE OPTION SCHEME (continued)

The following table disclosed details of the Company's options under the Scheme held by the directors, employees and other participants and the movements during the year ended 31 December 2016.

Grantee	Date of Grant	Exercise price HK\$	Exercisable period up to	At 1 January 2016	Granted during the year	Exercised during the year	Expired during the year	Lapsed during the year	Outstanding
									at 31 December 2016
<i>Executive Directors</i>									
Luk Hong Man, Hammond	17/6/2015	0.74	16/6/2025	765,120	-	-	-	-	765,120
	15/11/2016	0.82	15/11/2026	-	10,305,080	-	-	-	10,305,080
Zhang Xi	17/6/2015	0.74	16/6/2025	765,120	-	-	-	-	765,120
	15/11/2016	0.82	15/11/2026	-	10,305,080	-	-	-	10,305,080
Ye Yinggang	17/6/2015	0.74	16/6/2025	765,120	-	-	-	(765,120)	-
<i>Non-executive Directors</i>									
Sui Guangyi	15/11/2016	0.82	15/11/2026	-	1,100,000	-	-	-	1,100,000
Leung Ka Fai	15/11/2016	0.82	15/11/2026	-	9,800,000	-	-	-	9,800,000
Wang Mengtao	15/11/2016	0.82	15/11/2026	-	9,800,000	-	-	-	9,800,000
<i>Independent non-executive Directors</i>									
Wong Chung Kin, Quentin	17/6/2015	0.74	16/6/2025	765,120	-	-	-	(765,120)	-
Leung Po Hon	17/6/2015	0.74	16/6/2025	765,120	-	-	-	(765,120)	-
Jing Siyuan	15/11/2016	0.82	15/11/2026	-	1,100,000	-	-	-	1,100,000
Zhang Aimin	15/11/2016	0.82	15/11/2026	-	1,100,000	-	-	-	1,100,000
Zhang Qiang	15/11/2016	0.82	15/11/2026	-	1,100,000	-	-	-	1,100,000
Subtotal				3,825,600	44,610,160	-	-	(2,295,360)	46,140,400
<i>Employees and other participants</i>									
participants	17/6/2015	0.74	16/6/2025	8,416,320	-	-	-	(7,651,200)	765,120
	15/11/2016	0.82	15/11/2026	-	24,000,000	-	-	-	24,000,000
Total				12,241,920	68,610,160	-	-	(9,946,560)	70,905,520

26. SHARE OPTION SCHEME *(continued)*

For the year ended 31 December 2016, 68,610,160 share options have been granted, 9,946,560 share options have lapsed and no options have exercised or expired under the Scheme.

The share option is vested immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

The fair value of the total options granted on 29 August 2017 and measured using the Binomial Option Pricing Model was HK\$1,330,000. The significant inputs into the model were share price of HK\$2.17 at the grant date, an exercise price shown above, an expected volatility of 80%, no dividend yield, an expected option life of ten years and an annual risk free interest rate of 1.59%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last ten years.

The fair value of the total options granted on 15 November 2016 and measured using the Binomial Option Pricing Model was HK\$18,591,000. The significant inputs into the model were share price of HK\$0.77 at the grant date, an exercise price shown above, an expected volatility of 85%, no dividend yield, an expected option life of ten years and an annual risk free interest rate of 1.52%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last ten years.

27. RETIREMENT BENEFITS SCHEME

The Group has arranged its Hong Kong employees to join the Mandatory Provident Fund Scheme ("MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group (the employer) and its employees makes monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund Legislation. The contributions from each of the employer and employee are subject to a maximum contribution of HK\$1,500 per month with effect from 1 June 2014.

The employees of the Group's subsidiaries operating in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

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For the year ended 31 December 2017

28. RELATED PARTY AND CONNECTED TRANSACTIONS

(a) Compensation of key management personnel

The remuneration of key personnel during the year was as follows:

	2017	2016
	HK\$	HK\$
Directors' fee	3,910,667	4,094,246
Other emoluments and other benefits	2,801,725	3,271,253
Discretionary bonuses	895,000	–
Retirement benefits scheme contributions	64,390	65,161
Equity-settled share-based payments	1,330,000	12,949,000
	9,001,782	20,379,660

The remuneration of Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

(b) Investment management fee

On 4 July 2017, the Company and Fundamental Dynamics (HK) Limited (currently named as "Tianhe Quant Asset Management Limited") ("Tianhe"), a wholly-owned subsidiary of the Company, entered into an investment management agreement pursuant to which Tianhe shall act as the investment manager of the Company for the period up to 31 December 2019. Under the investment management agreement, the investment management fee payable to investment manager was HK\$220,000 per month together with expenses reimbursement up to a maximum amount of HK\$1,390,000, HK\$2,840,000 and HK\$1,450,000 respectively for each of the years ending 31 December 2017, 2018 and 2019. The investment manager is defined as a connected person of the Company pursuant to the Rule 21.13 of the Listing Rules. As Tianhe (the investment manager) is a wholly-owned subsidiary of the Company, the transaction with Tianhe is eliminated on consolidation and will not be considered a connected transaction under the Listing Rules.

(c) Transaction with a related party

During the year ended 31 December 2017, waiver of advance from a shareholder in an amounting of HK\$65,157,684 (2016: Nil) was recognised as capital reserve under equity. Details refer to notes 23 to the consolidated financial statements.

29. OPERATING LEASES COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises as follows:

	2017 HK\$	2016 HK\$
Within one year	8,137,636	11,604,047
In the second to fifth year inclusive	7,091,501	14,520,692
	15,229,137	26,124,739

Operating lease payments represent rental payables by the Group for its office premises. Leases are negotiated and fixed respectively for an average term of one to three years.

30. CAPITAL COMMITMENTS

	2017 HK\$	2016 HK\$
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	-	7,207,795

31. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

The Group acquired the entire interests in Fundamental Dynamics (HK) Limited ("Fundamental Dynamics") (currently named as Tianhe Quant Asset Management Limited). The acquisition was completed on 22 June 2017.

Tianhe Quant Asset Management Limited is principally engaged in holding of a type 9 regulated activity licence issued by the Hong Kong Securities and Futures Commission.

In the opinion of the Directors, the acquisition is in substance an acquisition of an intangible asset, instead of acquisition of business and therefore is excluded from the scope of HKFRS 3 "Business Combination". Therefore, the acquisition is not disclosed as a business combination in accordance with the requirements of HKFRS 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

31. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY (continued)

The assets and liabilities acquired through the transaction are as follow:

	HK\$
Intangible asset (note 16)	6,616,124
Deposits and other receivables	120,020
Cash and bank balances	320,542
Accruals and other payables	(56,686)
Total consideration satisfied by cash	7,000,000
Net cash outflow arising from the acquisition	6,679,458

32. NET (LOSS) GAIN ON DISPOSALS OF SUBSIDIARIES/DEREGISTRATION OF SUBSIDIARIES

(a) Disposal of subsidiaries

During the year 2017, the Group disposed of its 100% equity interest in Ace Provision Limited together with its subsidiaries to an independent third party for an aggregate consideration of HK\$12,106,000, resulting in a loss on disposal of HK\$9,629,023.

The aggregate net assets of the subsidiaries at the date of disposal were as follow:

	HK\$
AFS financial assets	2,193,240
Cash and cash equivalents	369,178
Financial assets at FVTPL	8,389,100
Net assets disposal of:	10,951,518
Release of investment revaluation reserve	10,783,505
Total consideration	21,735,023
Net loss on disposal	(12,106,000)
	9,629,023

32. NET (LOSS) GAIN ON DISPOSALS OF SUBSIDIARIES/DEREGISTRATION OF SUBSIDIARIES*(continued)***(a) Disposal of subsidiaries** *(continued)*

An analysis of net inflows of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	HK\$
Net cash inflow arising on disposal:	
Cash consideration received	12,106,000
Cash and cash equivalents disposed of	(369,178)
	11,736,822

During the year 2016, the Group disposed of its 100% equity interest in Assets Bloom Limited together with its subsidiaries, Best Keen International Limited together with its subsidiary, Big Star Ventures Limited together with its subsidiaries, and Victory Pride Limited with its subsidiary to independent third parties for an aggregate consideration of HK\$1,080, resulting in a gain on disposal of HK\$225,905.

The aggregate net liabilities of the subsidiaries at the date of disposal were as follow:

	HK\$
Motor vehicles	574,395
Other receivables	780
Deposit received	(800,000)
Net liabilities disposal of:	(224,825)
Total consideration	(1,080)
Net gain on disposals	(225,905)

An analysis of net inflows of cash and cash equivalents in respect of the disposals of subsidiaries is as follows:

	HK\$
Net cash inflow arising on disposal:	
Cash consideration received	1,080
Cash and cash equivalents disposed of	-
	1,080

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

32. NET (LOSS) GAIN ON DISPOSALS OF SUBSIDIARIES/DEREGISTRATION OF SUBSIDIARIES (continued)

(b) Deemed disposal of subsidiaries

On 27 July 2017, the Company acquired one ordinary share with a par value of US\$1.00 of its subsidiary, China Investment Holdings Limited ("CIH Limited"), representing 100% equity interest of CIH Limited. With issuance of CIH Limited's shares to an independent external party in August 2017, the Group's equity interest in CIH Limited eventually was diluted from 100% to 15%, resulting in a loss in control over CIH Limited and its subsidiaries and their financial results will no longer be consolidated into the consolidated financial statements of the Group. The loss on deemed disposal of CIH Limited and its subsidiaries was HK\$848,993.

Analysis of assets and liabilities over which control was lost was as follow:

	HK\$
Other receivables	998,815
Net assets disposal of:	998,815
Fair value of investment retained	(149,822)
Net loss on deemed disposals	848,993

There was no inflow or outflow of cash and cash equivalents in respect of the deemed disposal of subsidiaries.

(c) Deregistration of subsidiaries

During the year ended 31 December 2017, the Group deregistered one dormant subsidiary, Beautiful Smile Holdings Limited, which was incorporated in Vanuatu. There was no gain or loss arising from the deregistration.

During the year ended 31 December 2016, the Group deregistered three dormant subsidiaries, Art Cheer Limited, Mighty Leader Limited and Sun Speed Limited, all were incorporated in Vanuatu. There was no gain or loss arising from the deregistration.

33. LITIGATIONS

A Writ of Summons with an Indorsement of Claim dated 29 March 2016 has been issued in the High Court of Hong Kong in High Court Action 796 of 2016 by Yang Yan (“Ms. Yang”) as plaintiff against the Company and its subsidiary, Grand Dragon Investment Development Limited (“Grand Dragon”) as defendants whereby the plaintiff claims against the defendants for the forfeiture of a deposit for HK\$10,000,000 paid by Grand Dragon (the “Payment”). Service of the Writ of Summons and the Statement of Claim took place on respectively in May 2016 and August 2016. The Company and Grand Dragon maintain, inter alia, that Ms. Yang is not entitled to forfeit the Payment and will continue to strenuously contest the above legal proceedings and pursue its claim for the return of the Payment by way of counterclaim. If the matter cannot be settled, this dispute may ultimately lead to a trial of the action. The claim by the Company and Grand Dragon against Ms. Yang in High Court Action 2654 of 2016 was discontinued by consent and the claim has been consolidated with the above legal proceedings.

34. EVENT AFTER THE REPORTING PERIOD

On 1 March 2018, a subsidiary of the Company entered into a sale and purchase agreement with an independent third party pursuant to which the subsidiary of the Company has conditionally agreed to dispose of the entire issued equity interest in Radiant Top Limited which is the legal and beneficial owner of 6.4% of equity interest in Mountain Gold for a consideration of HK\$72,000,000.

On 1 March 2018, a subsidiary of the Company entered into a sale and purchase agreement with an independent third party pursuant to which the subsidiary of the Company has conditionally agreed to dispose the entire issued equity interest in Grand Dragon Investment Development Limited which is the legal and beneficial owner of 29% of equity interest in Galaxy AMS for a consideration of HK\$37,975,000.

These disposal transactions have been completed on 9 March 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Interests in subsidiaries

	2017	2016
	HK\$	HK\$
Unlisted shares, at cost	7,004,200	4,980
Impairment loss recognised	-	-
	7,004,200	4,980
Amounts due from subsidiaries	184,004,614	155,833,027
Impairment loss recognised	(110,851,111)	(83,881,531)
	73,153,503	71,951,496
Amounts due to subsidiaries	(1,075,929)	(1,557,656)
Advances to subsidiaries	94,746,210	104,305,775
Impairment loss recognised	(1,505,288)	(53,575,162)
	93,240,922	50,730,613

Notes:

- (a) Advances to subsidiaries are unsecured and repayable on demand. Interest is charged on the outstanding balance at 5% per annum as quoted by the current Hong Kong Dollars Best Lending Rate from Hong Kong and Shanghai Banking Corporation Limited.
- (b) Amounts due from/to subsidiaries are unsecured, interest-free and have no fixed term of repayment.

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Name of subsidiaries	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Proportion ownership interest and voting power held by the Company				Principal activity
			Directly		Indirectly		
			2017	2016	2017	2016	
Flying Goddess Limited	British Virgin Islands	US\$100	100%	100%	-	-	Investment holdings
Eternity Sky Limited	British Virgin Islands	US\$100	-	-	100%	100%	Investment holdings
Final Destination Limited	British Virgin Islands	US\$100	-	-	100%	100%	Investment holdings
Hong Kong Golden Day Investment Limited	Hong Kong	HK\$100	-	-	100%	100%	Investment holdings
Hong Kong Toprich Investment Limited	Hong Kong	HK\$100	-	-	100%	100%	Investment in listed securities and gold futures contracts
First Peak Investment Limited	Hong Kong	HK\$100	-	-	100%	100%	Investment holdings
Ace Innovator Limited	Republic of Vanuatu	US\$100	100%	100%	-	-	Investment holdings
Grand Dragon Investment Development Limited	Republic of Seychelles	US\$100	-	-	100%	100%	Investment holdings
Radiant Top Limited	Republic of Seychelles	US\$100	-	-	100%	100%	Investment holdings
深圳華創金盛投資諮詢有限公司	PRC	(Note a)	-	-	100%	100%	Inactive
Kingdom Stage Limited	Republic of Seychelles	US\$100	-	-	100%	100%	Investment holdings
Globe Golden Rich Limited	Hong Kong	HK\$100	-	-	100%	100%	Investment holdings
深富盛創(深圳)貿易有限公司	PRC	(Note a)	-	-	100%	100%	Inactive

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Name of subsidiaries	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Proportion ownership interest and voting power held by the Company				Principal activity
			Directly		Indirectly		
			2017	2016	2017	2016	
Enrich Bloom Limited	Republic of Seychelles	US\$100	-	-	100%	100%	Investment holdings
Golden Trend China Limited	Hong Kong	HK\$100	-	-	100%	100%	Investment holdings
金創中海（深圳）供應鏈管理有限公司	PRC	(Note a)	-	-	100%	100%	Inactive
Super Star Investment Holdings Limited	Republic of Seychelles	US\$100	100%	100%	-	-	Investment holdings
Profit Winner Investment Holdings Limited	Republic of Seychelles	US\$100	-	-	100%	100%	Investment holdings
Ultra Brave Company Limited	Republic of Vanuatu	US\$100	-	-	100%	100%	Investment in debt instrument
Growth Achieved Limited	Republic of Seychelles	US\$100	-	-	100%	100%	Investment holdings
China Investment Fund International Financial Group Limited	Hong Kong	HK\$100	100%	100%	-	-	Investment holdings
Deluxe Century Limited	Republic of Seychelles	US\$100	100%	100%	-	-	Investment holdings
Good Charm Inc Limited	Hong Kong	HK\$100	-	-	100%	100%	Holding a motor vehicle

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Name of subsidiaries	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Proportion ownership interest and voting power held by the Company				Principal activity
			Directly		Indirectly		
			2017	2016	2017	2016	
Foundation Tide Limited	Hong Kong	HK\$10,000	-	-	100%	100%	Holding a cross-boundary vehicle licence
Mass Bridge Limited	Republic of Seychelles	US\$100	100%	100%	-	-	Investment holdings
Well Shine Inc Limited	Hong Kong	HK\$100	-	-	100%	100%	Holding a motor vehicle
Karlingford Dyeing & Finishing Limited	Hong Kong	HK\$500,000	-	-	100%	100%	Holding a cross-boundary vehicle licence
Tianhe Quant Asset Management Limited	Hong Kong	HK\$1,058,801	100%	-	-	-	Investment Manager
中投發展(深圳)投資諮詢有限公司	PRC	(Note a)	100%	-	-	-	Investment in PRC A shares and financial derivative contracts

Note a: The Companies have not fully paid capital as at 31 December 2017 and 2016.

The above table lists the subsidiaries of the Group which, in the opinion of the Directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors of the Company, result in particulars of excessive length.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

36. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2017 HK\$	2016 HK\$
Non-current assets		
Investments in subsidiaries	7,004,200	4,980
Property, plant and equipment	11,218,465	832,762
Available-for-sale financial assets	117	–
Rental deposit	4,655,471	4,655,471
	22,878,253	5,493,213
Current assets		
Prepayments, deposits and other receivables	2,491,566	15,853,431
Advances to subsidiaries	93,240,922	50,730,613
Amounts due from subsidiaries	73,153,503	71,951,496
Cash and cash equivalents	103,058,841	16,093,316
	271,944,832	154,628,856
Current liabilities		
Accrual and other payables	18,185,438	14,656,877
Amounts due to subsidiaries	1,075,929	1,557,656
Borrowings	122,790,000	3,000,000
	142,051,367	19,214,533
Net current assets	129,893,465	135,414,323
Total assets less current liabilities	152,771,718	140,907,536
Non-current liabilities		
Borrowings	107,611,743	42,193,144
Advance from a shareholder	–	26,318,619
	107,611,743	68,511,763
Net assets	45,159,975	72,395,773
Capital and reserves		
Share capital (note 24)	60,886,100	55,351,000
Reserves (note 25)	(15,726,125)	17,044,773
Total equity	45,159,975	72,395,773

Luk Hong Man, Hammond
Executive Director

Zhang Xi
Executive Director

37. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation.

FIVE YEARS FINANCIAL SUMMARY

	For the year ended 31 December				
	2017 HK\$	2016 HK\$	2015 HK\$	2014 HK\$	2013 HK\$
Results					
Revenue	12,563	572,162	840,901	899,371	1,718,126
Loss before tax	(155,077,211)	(123,448,276)	(92,697,731)	(35,599,436)	(19,998,068)
Income tax expense	–	–	–	–	–
Loss for the year attributable to owners of the Company	(155,077,211)	(123,448,276)	(92,697,731)	(35,599,436)	(19,998,068)
Assets and Liabilities					
Total assets	282,369,245	149,032,730	290,251,843	138,204,149	189,283,533
Total liabilities	(236,820,397)	(73,734,435)	(45,934,840)	(796,074)	(1,840,000)
	45,548,848	75,298,295	244,317,003	137,408,075	187,443,533
Share capital	60,886,100	55,351,000	55,351,000	38,256,000	38,256,000
Reserves	(15,337,252)	19,947,295	188,966,003	99,152,075	149,187,533
Equity attributable to owners of the Company	45,548,848	75,298,295	244,317,003	137,408,075	187,443,533
Loss per share					
– Basic and diluted (HK cents)	(13.09)	(10.99)	(10.12)	(4.65)	(2.61)